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'Nightmare Scenario' Compelled the Queen

Divorce Might Save Monarchy (But What if Charles Remarries?)

By John Darnton
New York Times Service

LONDON — Everyone now agrees that the British monarchy is facing the worst crisis since 1936, when Edward VIII was forced to give up the crown because of his love for an American divorcee.

What people cannot agree on so easily is how the royal family is going to get out of the predicament caused by the failed 14-year marriage of Prince Charles and Diana, Princess of Wales.

Queen Elizabeth II, who intervened trying to avoid what journalists and others who keep an eye on Buckingham Palace call the "nightmare scenario," which could happen right now if, for example, the queen were to die.

Then the feud between Charles and Diana would be a serious matter indeed. There would be a hostile king and queen on the thrones, each with a separate court and conspiring coteries of attendants and publicists, splitting the House of Windsor and very probably bringing the monarchy down.

That ugly prospect is put to rest the instant a divorce decree becomes final, because then Diana loses her claim to the throne. But even with a divorce, the problems do not go away.

Unlike Wallis Simpson, the twice-divorced American who lived with her husband, the ex-king, in luxurious but ignominious exile in Paris for decades, 34-year-old Diana is not about to disappear.

One major question is whether the 47-year-old prince would remarry. As every school child here knows, the Church of England has its origins in one of history's most celebrated divorces — that of Henry VIII from Catherine of Aragon, which split it from Rome. But the Church of England frowns upon remarriages of divorced people, particularly when their ex-spouses are still living.

Since the monarch is also the spiritual leader of the church, bearing the distinction title of Defender of the Faith, a remarriage would be unacceptable for the prince to become king. If he married Camilla, the woman he is said to have loved, and with whom he cohabited on an affair, during his marriage.

Buckingham Palace on Thursday sought an escape route by announcing that the prince was thinking of no such thing. "Should there be a divorce, the Prince of Wales has no intention of remarriage," said a spokesman. "I say that on the record," said

Alan Percival, Charles's spokesman. But no one at the palace was willing to interpret the statement as meaning that the prince was forever forgoing the possibility of remarriage.

"If asked do you intend to get remarried, the answer is no," said one official in the royal household. "But that's not the same question as 'will you never ever in your life remarry?' I don't think anyone is ever prepared to answer that question."

Another eventuality that no one in authority is prepared to discuss publicly is what might happen with an unmarried king sitting on the throne. It is unlikely that the British press, which has avidly

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documented every twist and turn in the sad saga of the prince's love life so far, would leave him alone.

Nor is it clear that the British public, which since the days of Queen Victoria has regarded the royal family as a sort of surrogate for middle-class respectability — erroneously in some cases — would sit still while he carried on relationships outside of marriage. This might be especially true for Mrs. Parker-Bowles, who is now herself divorced but seen by many people in the street as a marriage-breaker.

A public opinion poll taken by the respected outfit MORI on Nov. 21 found that 61 percent of a sample of 580 adults thought the Waleses should get divorced, but almost as high a percentage — 59 — thought Prince Charles should not be allowed to become king if he married Mrs. Parker-Bowles.

Another problem for Buckingham Palace is what to do with the Princess of Wales. Her lawyers were reported to be studying the queen's letter and commentators here believe she will strike a hard bargain.

Most expect that the princess, who had said earlier that she would follow her husband's lead, will retain some custodial title. "Diana will retain a close confidence with the prince," said a close confidant, "and she will be a mother to the prince's children." "I think she will agree and will agree soon," Mr. Kay told BBC radio. "No matter what happens, Diana will remain the mother of the future heir, 13-year-old Prince William, and so must

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A Palestinian woman passing an Orthodox Jew waiting to enter Rachel's Tomb in Bethlehem on Thursday.

Large Gains Seen for Turk Fundamentalists

Election Platform: Cheap Bread, Clean Government

By Celestine Bohlen
New York Times Service

ANKARA — For months now, Turkey has used the threat of rising Islamic fundamentalism at home to warn Western allies of the consequences of leaving this Muslim country out in the cold.

Now, on the eve of Sunday's national elections, that threat — once rhetorical — is knocking at the door of this bastion of secularism, as the staunchly Islamic Welfare Party stands poised to enter Parliament as a major player.

Nobody but Welfare leaders themselves talk about their party winning a clear majority in the 550-member Parliament. And few analysts consider it likely that Necmettin Erbakan, the Welfare Party's charis-

matic leader, will emerge as a partner in Turkey's next coalition government.

But with Turkey's two major parties caught in a divisive fight of their own, there is a chance that the Welfare Party, campaigning on promises of cheap bread, clean government and a strong dose of pro-Islamic, anti-Western rhetoric, may even emerge as Parliament's largest bloc, perhaps tripling its current 38 seats.

And that, analysts and diplomats in Ankara say, will be enough to cast a pall over Turkey's image as an outpost of modern democratic stability on Europe's eastern edge, where for decades it has been a strategic anchor for the North Atlantic Treaty Organization alliance.

"Even with 25 percent of the vote, the Welfare Party cannot do much in Par-

liament, but it will certainly change the atmosphere," said one Western diplomat. "and it would have a considerable impact on the Mediterranean and Muslim world."

With a ban on the publication of polling results, it is difficult to gauge the level of the Welfare Party's electoral support in the final days of a brief but intense electoral campaign. But for anyone who doubted that the Welfare Party's popularity was reaching a critical threshold, there was a thinly veiled warning from Turkey's powerful military establishment, which publicly announced last week it was purging 50 Islamic fundamentalists from its officer corps.

That message, quickly decoded by Turks

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French Talks Get Off to a Rocky Start

By Craig R. Whitney
New York Times Service

PARIS — Prime Minister Alain Juppé, trying to extinguish the labor unrest that wracked the country for almost a month, promised Thursday that he would listen to and negotiate with unions angered by his plans to cut France's deficit.

Meeting with labor union and business leaders in his office for a "social summit" that went on into the evening, Mr. Juppé outlined plans to boost economic growth and asked them to agree on ways of taking on 250,000 additional entry-level workers next year to bring down France's high unemployment rate, now at 11.5 percent.

And he said the government would reduce payroll taxes and impose a moratorium on new tax increases after a system

of paying for the deficit-ridden national health insurance and pension system is agreed on next year.

[The union and employer group representatives both rejected an initial draft statement of conclusions reached during the meeting, Reuters reported from Paris, quoting delegates at the talks.]

[Their action prompted Mr. Juppé to recess the summit for half an hour while he prepared a new draft, the delegates said.]

It was the second break of the evening for those attending the much-heralded negotiations, which began at 3 P.M. and recessed for about an hour for dinner before resuming at about 9 P.M.]

On the issue of taxes, Mr. Juppé rejected calls from within his own cabinet to put off a tax increase set to go into effect Jan. 1 to work off the 230 billion franc (\$46 billion)

deficit the health insurance and pension system has accumulated so far this decade.

Transport Minister Bernard Pons, backed by some other members of Mr. Juppé's conservative majority in Parliament, said before the meeting that postponing the tax increase was "indispensable" for the economic growth needed to bring down unemployment.

Mr. Pons is responsible for the national railroad system, which was shut down for 24 days in a wave of strikes by public-sector employees that began in late November after Mr. Juppé announced plans to reduce the \$60 billion deficit by cutting generous social security benefits that nearly all French workers enjoy.

The rail strike forced Mr. Juppé to shelve

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Bouygues Chairman Expected To Face Slush-Fund Charge

By Max Berley
Special to the Herald Tribune

PARIS — Martin Bouygues, chairman of the world's largest construction company, Bouygues SA, is expected to be placed under formal investigation Friday on suspicion of misuse of company funds.

The news marks the latest installment in a series of related corruption scandals that have riveted France since 1992.

Mr. Bouygues, who inherited control of the giant company from his father six years ago, was released by police Wednesday after being held for questioning for 34 hours.

According to reports Thursday from the news agency Agence France-Presse and the daily Le Monde, the investigating

judge, Philippe Courroye, has summoned Mr. Bouygues to appear in his chambers in Lyon on Friday. Both reports attributed the information to unidentified judicial sources.

They said that Mr. Bouygues would be notified there that a formal investigation has been opened into accusations that he authorized, between 1988 and 1990, the payment of more than 2 million francs (\$400,000) to Pierre Botton, a Lyon businessman who has been convicted of influence peddling and fraud. The money was allegedly disbursed by an African subsidiary of Bouygues and placed in two Swiss bank accounts in Mr. Botton's name. It was

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As Profits Rise, U.S. Airlines Get Tough With Riders

By Edwin McDowell
New York Times Service

NEW YORK — With airplanes filling up and profits improving, U.S. airlines are beginning to crack down on some rule-bending passengers to whom carriers often turned a blind eye when they were bleeding red ink.

An informal survey among carriers turned up the following examples:

- Passengers who come running up to the gate at the last minute, usually less than 10 minutes before scheduled departure time, are increasingly being left behind and put on the next flight, provided there is another flight to that destination, and provided there are seats available.
- Passengers who arrive at the last minute with lots of luggage may be allowed to board, but their check-in luggage may have to await the next flight.

- Airlines say they are stricter about enforcing regulations covering both the number and size of carry-on luggage, and are stricter about charging for excess baggage. Carriers say that some passengers make a practice of arriving late with lots of luggage, in hopes the harried ticket agent will check their excess baggage without charge rather than incur the considerable cost to the airline of delaying the flight.
- With fuller flights, carriers say they have become stingier about upgrading passengers, for instance, from economy to business class and about allowing non-members to use airlines' private lounges.
- When adults buy economy tickets for themselves and first-class or business-class seats for their children, on international flights where youngsters often fly for half price, carriers say they will try to prohibit the adults from switching seats with their children en route.

[Air industry sources in Europe told the International

Herald Tribune that the same practices had not arisen to the same extent in Europe or Asia, where most flights are international and passengers have always been required to arrive one or two hours in advance.]

The crackdown grew partly out of the tightened security regulations recently adopted by the Federal Aviation Administration, including a requirement that adult passengers have photo identification even on domestic flights. That requirement has resulted in the airlines' discovering stolen tickets and finding passengers trying to board with tickets issued in another person's name.

But the biggest impetus for a crackdown is gleaned in the industry's recent financial performance.

Last week, the Transportation Department announced that for that third quarter, the 11 major U.S. airlines earned a combined operating profit of more than \$2 billion and net profit of more than \$1 billion, the second consecutive quarter they exceeded those figures.

Israeli Army Turns Over Bethlehem To the PLO

Palestinians Celebrate In Manger Square and Prepare for Christmas

By Joel Greenberg
New York Times Service

BETHLEHEM, West Bank — Church bells rang and fireworks exploded over Manger Square on Thursday night as the last Israeli soldiers left the town of Bethlehem, handing over the traditional birthplace of Jesus to Palestinian rule after 28 years of occupation.

Blue-clad Palestinian officers, their rifles thrust triumphantly toward the darkening sky, were mobbed by a rapturous crowd as they rode into a police station beside the Church of the Nativity, where Christmas will be celebrated for the first time this year under Palestinian control.

Yasser Arafat, chairman of the Palestine Liberation Organization, is expected in Bethlehem on Sunday to address throngs of Palestinians and participate in a Christmas Eve Mass at the church, built over the reputed site of Jesus's birth.

Security for thousands of tourists and even more Palestinian visitors will this time be in the hands of the Palestinian Authority, which is eager to prove that it can run the celebrations smoothly and safely.

"In Bethlehem we will provide security for all people," promised Hajj Ismail Jaber, the Palestinian police chief in the West Bank, shortly after his forces took control of this town of 40,000 south of Jerusalem.

A pilgrimage site for Christians from around the world, Bethlehem has become a predominantly Muslim city in recent decades as Christian Palestinians have emigrated in growing numbers, driven away by unrest in the West Bank, economic hardship and tensions with Muslim neighbors. Some local Christians acknowledged Thursday night that they were concerned about discrimination by the Muslim majority under Palestinian rule.

But these worries were set aside by most people as thousands of Palestinians packed Manger Square to celebrate their freedom from Israeli occupation. Bethlehem is the fifth Palestinian town to be handed over by Israel under an accord in September to expand self-rule to much of the West Bank.

Palestinian officers, including women recruits, waved to the crowd from the police station as young men raised a Palestinian flag and tore down with their bare hands a 12-foot-high fence put up by the Israelis around the building to block stone-throwing. Cheers went up as sections of the metal barrier crumbled to the ground and were trampled by jubilant teenagers.

"When I saw the fence come down I thought, the occupation is gone and the Palestinian state is on the way," said Maha Andoni, who came to the square with her daughter. "We waited 28 years for this. There's nothing sweeter."

As loudspeakers boomed out nationalist music set to a deafening drumbeat, men danced, women clapped, and Palestinian officers stood on a truck moving slowly around the square, silhouetted against hundreds of brightly colored Christmas lights.

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BUGA, Colombia (Reuters) — As many as 17 persons were rescued from the wreckage of an American Airlines plane that crashed into a mountain in southern Colombia, Caracol radio said. Original reports said that all 164 aboard had died in the crash. (Page 7)

UN Finds Iraqi Arms

UNITED NATIONS, New York (AFP) — The head of the UN panel investigating Iraq's weapons of mass destruction said Thursday he had dredged newly imported missile guidance parts out of the Tigris River. The commission must now determine whether Iraq is continuing to build long-range weapons, the panel's director, Rolf Ekeus, said.



The Princess of Wales leaving her health club in London on Thursday.

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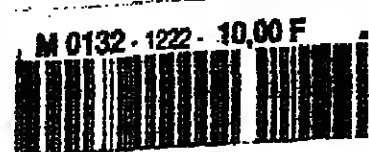
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Austria	12.50 FF	Oman	10.00 Rials
Cambodia	1.800 CFA	Reunion	12.50 FF
Cape Verde	1.000 CFA	Saudi Arabia	10.00 R.
France	10.00 FF	Senegal	1.100 CFA
Gabon	1100 CFA	Spain	225 PTAS
Greece	350 Dr	Turkey	1.250 Liras
Italy	2.800 Liras	Turkey	1.250 Liras
Ivory Coast	1.250 CFA	Turkey	1.250 Liras
Jordan	1.250 JD	U.A.E.	10.00 Dirh
Lebanon	1.800 L.L.	U.S. M. (Eur.)	\$1.20

Doc. Jones	Trib Index
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5096.53	131.32
The Dollar	1.4397
DM	1.4397
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Yen	101.775
FF	4.931

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Thin Ice / Natural or Man-Made Phenomenon?

The Mystery of the Dwindling Alpine Glaciers

By Marlene Simons
New York Times Service

CHAMONIX, France — Just a short eagle's flight from the highest peak of Europe, amid rolling rocks and a sudden blizzard, Louis Reynaud was drilling deep under the skin of an aged glacier.

"This ice is hundreds of years old," he said. Overhead, in streaks of mist, drifted the summit of the Mont Blanc.

The wilderness of boulders and treacherous crevasses at an altitude of more than 2,440 meters (8,000 feet) looks menacing and bleak to ordinary mortals, but it looms before the scientists like a rich laboratory. Mr. Reynaud was leading a team of glaciologists from the University of Grenoble in France, who were studying the behavior of glaciers, how they swell or melt, advance or retreat.

To glaciologists, the high ice fields are the star witnesses in the complicated debate about global climate change. They see them as important indicators of warming and cooling, more reliable than climate models, which scientists plot on computers to predict changes in the atmosphere.

"Glaciers have one great advantage," said Mr. Reynaud, stopping for a bar of chocolate and turning his back on the rasping wind. "There's no mystery. This is pure physics. If the air warms up, the ice will melt. It's that simple."

In the Alps, at the heart of Europe, where glaciers are monitored more closely than anywhere else in the world, researchers say the ice cover has been shrinking rapidly. Estimates are that one-third to one-half of the ice volume has vanished over the last century.

The main questions asked by glaciologists here are, precisely how fast is the ice melting and is the rate of melting accelerating? They believe that the answers will help them determine if these high ice caps are simply reacting to natural shifts of the climate or if the rate of melting is now quickening, suggesting that temperatures are rising because of human activities.

At the World Glacier Monitoring Service in Zurich, which keeps the earth's glacial archives, scientists say that very little is known about the ice that covers 10 percent of the planet's surface.

Fluctuations of ice in Antarctica, which holds most of the world's ice, are the least understood, said Wilfried Haeberli, the center's director. There are only limited studies of the greatest mountain glaciers, in Alaska, Patagonia or the Himalayas. The better-known glaciers of the Alps, he noted, are pocket-sized in comparison.

BUT THE research going on in the Alps is crucial, Mr. Haeberli said, because this is where glacier studies first began more than a century ago. Austria, France and Switzerland began studying glaciers to monitor the water running off these enormous frozen water towers because of their powerful impact on the region's farming, shipping and hydroelectric dams.

Increasingly, though, glaciologists here and on other continents are expanding their observation network as interest in the environment has surged and more scientists try to understand the planet's complex weather systems. American spy satellites, released from



The Mer de Glace glacier, snaking through the French Alps, is shrinking, scientists say.

Cold War duty, are joining in the monitoring of ice.

"The glaciers of the Alps are among the best indicators we have of a warming or cooling world," said Mr. Haeberli. "They are small and react quickly, they are accessible and they may be representative of what is happening in cold mountain regions in general. Here we have the oldest first-hand records available."

Looking for the messages hidden in ice, researchers have been poring through the records of churches, villages and the military. They found accounts from the warmer Middle Ages, showing that people easily crossed some Alpine passes that are encumbered with ice today.

In the colder 17th and 18th centuries, Swiss village records noted farmers complaining

that glaciers were destroying their fields and vineyards.

At one point, the people of Chamonix worried so much about the expanding Mer de Glace glacier that they feared it might knock over the church. A painting of the Mont Blanc, dated 1740, shows the Mer de Glace reaching the edge of the village.

But since the mid-19th century, the Mer de Glace has retreated by a kilometer. And the biggest glacier of mainland Europe, the 21-kilometer-long Aletsch in Switzerland, has retreated nearly two kilometers and lost more than 91 meters in thickness over the last century.

"Since the 1980s, ice in the Alps is melting faster," said Mr. Haeberli. "Our figures clearly show that. But we need to know more."

Glaciers are also shedding ice in other

mountain regions, as far apart as the Russian Caucasus and Urals and the Andes of South America.

But Mr. Haeberli cautioned that it is too early to draw conclusions because record keeping is recent and spotty in most parts of the world. Glaciologists, he explained, need long-term measurements to identify trends.

COMPLICATING this picture are recent studies showing that ice covers are growing in Scandinavia, Greenland, Iceland and New Zealand.

Norway, which monitors its mountain ice closely because it uses the thawing water for its power stations, found its glaciers on average growing by more than nine meters over the last five years. Some have expanded even more, said Jon Ove Hagen, professor of glaciology at the University of Oslo.

"That's an enormous new volume of ice," he said. "The same is happening in Sweden. Between 1900 and 1950, all of Scandinavia's ice was shrinking. Then it stabilized. Now it's growing."

John Houghton, a leading British scientist, said he sees no contradiction in the growth of ice in one part of the world and melting in another. Mr. Houghton is a chairman of the Intergovernmental Panel on Climate Change and in its most recent report, the panel cited the melting of mountain glaciers as evidence of global warming in which human activities may play a role.

"A warmer world is a wetter world," Mr. Houghton said. "This means we get more snow and ice near the polar regions."

Scientists have long known about the planet's great cycles of cooling and warming by their analysis of ice cores and moraines, the piles of stones carried by moving glaciers. But studies in the Alps are focused on the changes of this century and even the last few decades.

The researchers here who slog through the cold Alpine wilderness say they are aware that aerial photography and satellite observation of glaciers may seem more efficient. But they argue that such sweeping surveys do not provide crucial information they can get up close.

Twice a year, these geologists or physicists, among them Mr. Reynaud and his colleagues, go up by helicopter or climb to great heights to monitor several dozen Alpine glaciers. They dig pits in the spring to measure the winter snowfall. Recently, they were lugging their gear across the frozen folds of the Argentiére, a four-kilometer-long glacier on the Mont Blanc range. In this world, a few dark birds and a distant airplane were the only signs of life.

"It's difficult to see, but here everything moves," said Mr. Reynaud, swinging a pick ax into the hard surface. "The glacier is always in motion, shifting and sliding."

As they took a break, the team members talked about global warming. What is certain, they said, is that judging by the glaciers they know well, the 20th century is not very cold and ice here continues to melt. One member made the point that reportedly there has never been more carbon dioxide in the air than now and that the burning of fossil fuels is causing concentrations to rise and warm the air.

"Perhaps," said Mr. Reynaud. "But we know that in the Middle Ages, these glaciers were even smaller than today. Was that because of a great burst of carbon dioxide? How do we answer that?"

2d Gene Is Found For Breast Cancer
Discovery Could Produce Better Test for the DiseaseBy Gina Kolata
New York Times Service

NEW YORK — With astonishing speed, scientists have found a new gene that, when mutated, causes breast cancer. Together with another breast cancer gene isolated 14 months ago, the two mutations account for at least 80 percent of the breast cancer that occurs in women with strong family histories of the disease.

Scientists say that the discovery, reported Thursday in the British science journal *Nature*, means they will be able to offer greatly improved genetic screening to women in so-called breast cancer families. And, they said, they hope to use the gene to understand why breast cancer of all sorts occurs in the first place.

Familial breast cancer accounts for only 5 percent of the 185,000 cases of breast cancer diagnosed each year, according to the American Cancer Society, but that amounts to 9,250 cases.

"For women, I think it means a better test will be available," said Dr. Barbara Weber, who is director of the breast cancer center at the University of Pennsylvania Medical Center. Women with strong family histories of breast cancer already had the option of being tested for mutations in the gene found last year, called BRCA1, but changes in that gene accounted for only about half of inherited breast cancer.

Mutations in the second gene, BRCA2, are thought to account for at least an additional third of hereditary breast cancer and possibly all of it that is not caused by BRCA1 mutations. Women who inherit a copy of either mutated gene have an 80 percent chance of developing breast cancer. Both genes are present in all human beings; it is mutations in the genes that result in cancer.

Cancer specialists hope BRCA2 will lead them to a new understanding of not only breast cancer families, but the many other cases of breast cancer as well.

According to Dr. Mary Claire King, a molecular geneticist at the University of Washington in Seattle, "There is now increasingly good evidence that BRCA1 is involved in breast cancer in general. Now we can find out if it is true for BRCA2 as well."

Scientists said that although

mutations in both BRCA2 and BRCA1 cause breast cancer, the genes are on different chromosomes, their structures seem different, and they have different effects on cancers other than breast cancer.

For example, women who inherit a mutated BRCA1 gene have a 60 percent chance of developing ovarian cancer, as against a 20 percent chance for those with mutations in BRCA2.

On the other hand, mutations in BRCA2 in men result in a 20 percent chance of having breast cancer, whereas mutations in BRCA1 do not increase the chances of male breast cancer.

The leader of the BRCA2 study, Dr. Michael Stratton, a molecular geneticist at the Institute for Cancer Research in Sutton, England, said that it took 12 groups of researchers in the United States, the United Kingdom, Canada, the Netherlands and France just a year to find BRCA2, considerably faster than expected. "Their work was made easier because scientists had already begun mapping the area on chromosome 13 where the gene resides. In contrast, it took scientists four years to find BRCA1, largely because gene mappers had not yet tackled its area of chromosome 17."

The BRCA2 gene is larger than the BRCA1, which itself had 100,000 subunits, making it 10 times larger than the average gene. That makes the search for mutations long and tedious, researchers said. Dr. Stratton said that the researchers have so far sequenced only about half of the gene.

"As yet, no one has any idea what BRCA1 or BRCA2 normally do in cells."

Dr. Weber and others said that they expect to begin offering BRCA2 tests as part of research studies. But, researchers say, women should think carefully about whether they want to be tested for the breast cancer genes, since the disease cannot be prevented.

Dr. Francis Collins, director of the National Center for Human Genome Research in Bethesda, Maryland, said he worries in particular about discrimination by insurers and employers. A woman, he said, "might go through the testing, find out she's at risk, and then lose her health insurance just at the time she needs it."

Briton's Legacy: Fine Chinese Wine

By Seth Faison
New York Times Service

SHAZIKOU, China — The craggy hills that surround this tiny town are called the Nine Dragons for their forbidding, rocky terrain. Coasting grain from the golden fields that hang on the mountain slopes has been a struggle for centuries.

But some farm workers here now have a different crop: they grow grapes for a vineyard that produces some of the best wine in China. And the winemakers whose bottles of chardonnay and riesling now make their way down the hills' winding roads in small trucks say they owe their fortune to the efforts of a stubborn Englishman who first set his vineyard in this lime-heavy soil a decade ago.

The Englishman, Michael

Parry, did not live to see the vineyard's success. Putting \$1 million into it left him bankrupt. He later succumbed to cancer, and died a broken man.

"He had an idea and he worked at it," Wu Lizhu, the vineyard's chief winemaker, said of Mr. Parry. "We owe everything to him."

Wine is only beginning to gain popularity among China's consumers, who until recently favored 100-proof sorghum-based alcohol whose taste The Economist, the British news magazine, once described as akin to aviation fuel.

But young urban drinkers in China are trying more wine, though the demand is far behind a ballooning market for beer.

The 100,000 cases that the Huadong Winery is producing this year cannot keep up with demand, Mr. Wu said, and he thinks it is because the vineyard trained him and his staff to conduct their winemaking with a dedication that few other Chinese vineyards can match.

"If we educate people about wine, they will drink it," said Mr. Wu. "Mr. Parry always said that."

Mr. Parry, who came to Asia

in 1973 as an accountant for a British insurance company, first visited China in the late 1970s after becoming a distributor of wine and spirits. That was soon followed by the idea of making wine in China, rather than just importing it.

"When you have 1,300 wines and spirits in your portfolio, it's natural to think about starting your own vineyard," said Gabriel Tam, Mr. Parry's former partner, who now runs Huadong. "Everyone thinks about it. Michael Parry actually did it."

Almost, anyway. Mr. Parry chose this secluded spot — just 40 kilometers (25 miles) from Qingdao, a coastal city in eastern China known for the beer it exports all over the world — because the lime-rich soil favors grape-growing and because the mountain basin is formed so its slopes face southward and gain maximum exposure to the sun.

When he came here in 1982, Mr. Parry had to struggle to persuade the peasants who farmed tiny plots to grow grapes.

"He was a big man, with a huge belly, and he looked out of place here," Mr. Tam said.

"There were a lot of conflicts. But he always fought on."

By 1985, after transplanting 42,000 grape cuttings from France, Mr. Parry and his crew were getting ready for their first harvest when a typhoon struck and ruined the entire crop.

Undaunted, Mr. Parry arranged a replanting, and the next year produced 2,000 cases of his first chardonnay and riesling wines, winning an award at a competition in France.

But in 1989, when government troops killed unarmed civilians in the massacre in Beijing, the Chinese hotel business died, and with it the demand for Mr. Parry's wines and spirits. He went bankrupt, and a bank took ownership of the vineyard.

Mr. Parry was found to have cancer. When his partner, Mr. Tam, sold the vineyard to Hiram Walker Wines & Spirits, Mr. Parry was kept on as an adviser but grew bitter about having lost control.

Mr. Parry died in Hong Kong in 1991. But his ashes were buried on the hill that rises behind the vineyard, to mark the place he most cared about, and farm workers still tend his grave, a simple gray tombstone.

Sabena's Chairman Wants to Talk

BRUSSELS (Reuters) — The chief of Belgium's troubled national airline, Sabena, hinted Thursday that he was ready to reach compromises with angry trade unions in a bid to quell social unrest and put the airline back on the road to profitability.

Pierre Godfrid, Sabena's chairman, said at a news conference that he would make a gesture to the unions but declined to give details.

He said both sides should make the decisions to restore Sabena to profit.

"From then on everything is negotiable again," he said when asked whether he might withdraw his decision to scrap collective labor agreements, the main grievance behind the union's string of strikes. "In the framework of a discussion we'll talk about that, but first we have to start talking."

The unions have suspended all further strikes until January 30 as not to hit passengers during the year-end holiday season. But they have warned on tougher actions in early January.

Strike Closes Marseille Transport

MARSEILLE (Reuters) — A local dispute crippled buses, Metro trains and trams in this Mediterranean port on Thursday as other public transport services got back to normal in France after a 24-day strike.

The SNCF state railroad said rail traffic was running almost as usual around the country after the worst unrest in France in an decade, spurred mainly by government plans to overhaul the indebted health and pension system.

The Marseille dispute hardened Thursday, spreading to the Metro, which had previously escaped a 15-day stoppage. Hooded demonstrators occupied train and tram lines in the city while pickets blocked depots.

The strikers complain that workers hired after 1993 earn 1,000 francs (\$200) a month less on average than their colleagues. The city is refusing to make up the difference.

TRAVEL UPDATE

Moscow subway fares jumped 50 percent Thursday in the capital's fourth public transport price hike of the year. The cost of a subway ride went from 1,000 rubles (21 cents) to 1,500 rubles. (AP)

Health workers in Liberia began a campaign Thursday to vaccinate 1 million people in the capital, Monrovia, in an effort to halt an epidemic of yellow fever. Fifty-six cases of the hemorrhagic fever, which is transmitted by mosquitoes, have been confirmed since November. (Reuters)

Beijing lawmakers passed a law Thursday banning smoking in public places by mid-1996. But, since half of all adult men smoke, there are doubts about the law's effectiveness. (Reuters)

The Bangkok police department sent 4,000 officers into the streets Thursday at the start of a 10-day campaign to punish red-light-running motorists and jaywalking pedestrians, whom it blames for exacerbating the capital's notorious traffic jams. Streets are so clogged that cars move at an average of 8 kilometers (5 miles) an hour. (Reuters)

The French airline Air Inter will have 170 extra flights from Thursday through Saturday this week. The company said Thursday that it would offer 30,713 additional seats to cope with the Christmas and New Year's holidays. (AP)

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THE AMERICAS

Clinton and Congressional Chiefs Set New Talks

By Brian Knowlton
International Herald Tribune

WASHINGTON — Just when negotiations over a federal budget plan were starting to look like an endless and indecisive alley fight, bloodying both sides and infuriating spectators, White House and congressional officials agreed Thursday on talks that might finally get idled government workers back to work.

"On Friday morning, the president and five congressional leaders will meet at the White House," the White House said. The announcement followed a meeting between the White

House chief of staff, Leon E. Panetta, and the chairmen of the Senate and House budget committees. It was their second meeting in a difficult day, raising hopes that this particularly bitter round of negotiations might be turning toward progress.

Preliminary meetings involving senior budget advisers and state governors Thursday were called to lay the groundwork for the talks Friday.

The governors were being drawn into the deliberations to discuss Medicaid, a joint federal-state program that provides health care to the poor.

After one unexpected setback, earlier this week, President Bill Clinton likened con-

servative Republican freshmen in Congress to an obstructionist "wagging the dog."

On Thursday morning, there wasn't much wagging from either side. Each part of the animal seemed to have its own version of whether a budget agreement would leave the doghouse before Christmas, let alone by year's end.

Sen. V. Domenici, chairman of the Senate Budget Committee, left a breakfast meeting with Mr. Panetta declaring that the group had "made some progress" on the intertwined issues of how to balance the federal budget and to get 260,000

furloughed government employees back to work.

But then a spokesman for John R. Kasich, chairman of the House Budget Committee and a Republican like Mr. Domenici, said that his boss had left the same meeting as pessimistic as ever.

Michael McCurry, the White House press secretary, indicated that a temporary spending bill to end the partial government shutdown was not imminent.

The Republican freshmen have used the bill as a lever in the fight for a plan to balance the budget in seven years.

"There's no point in temporarily opening the government up until we get the job

done," Representative John Shadegg of Arizona said.

But even the Senate majority leader, Bob Dole, seemed surprised when the young Republicans undid what he thought was a deal.

The problem arose after comments by Vice President Al Gore.

The president and congressional leaders had agreed last month to work toward a balanced budget using economic projections from the Congressional Budget Office. On Tuesday they agreed to reach such a plan by year's end.

But Mr. Gore appeared to cast doubt both on the timing of

an agreement and on the use of the congressional office numbers. The White House later issued a clarification.

Angry Republican freshmen said the president was backing out of a firm agreement. In a rally-like caucus, House Republicans shouted approval of a resolution to tie the reopening of government to agreement on a seven-year budget plan using the congressional office numbers.

Meanwhile, as the partial shutdown neared the one-week mark, legislation to assure that 3.3 million veterans would receive their benefit checks on time was passed by the House and awaited Senate action.

Senate Seeks Order For Clinton Papers

By Stephen Labaton
New York Times Service

WASHINGTON — After a day of spirited and deeply partisan debate, the Senate approved a resolution to ask a federal judge to order President Bill Clinton to comply with subpoenas and turn over White House material that the White House has said is protected by the lawyer-client and executive privileges.

The resolution was approved late Wednesday by a party-line vote of 51 to 45.

The material, notes of a 1993 meeting of Mr. Clinton's senior aides and his lawyers to discuss Whitewater, has been the subject of a bitter fight between the White House and Republicans on the Senate Whitewater committee for the last few weeks.

Republicans have speculated that the notes could show that White House aides improperly provided confidential information about two politically sensitive investigations to private lawyers for Mr. Clinton and his wife, Hillary Rodham Clinton. The White House has said the notes will shed no significant new light on the conduct of the Clintons or their aides.

In the sharpest Republican attack yet, Senator Lott of Missouri said on the floor of the Senate that Mrs. Clinton had lied to federal investigators about how she and her law firm had come to represent the Madison Guaranty Savings and Loan, operated by James McDougal, the Clintons' business partner in the Whitewater land venture.

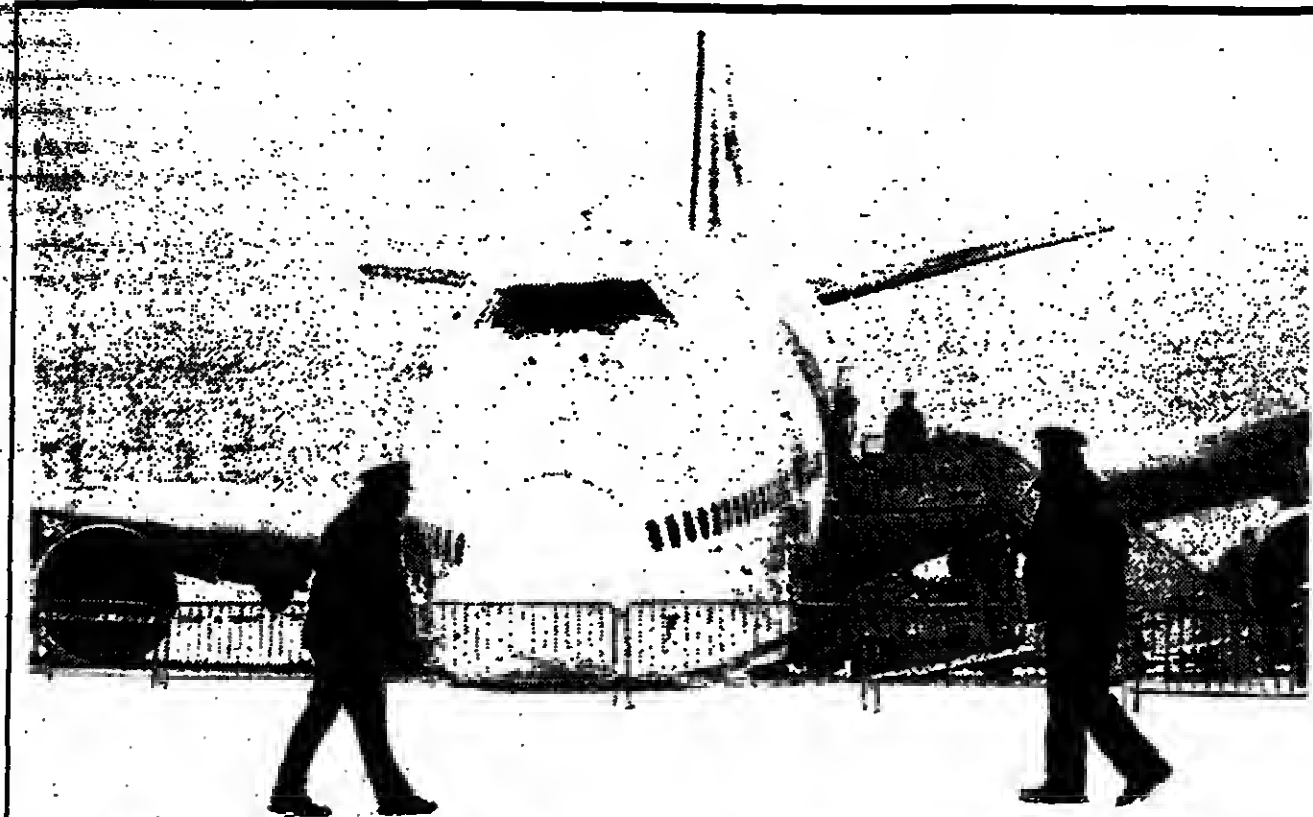
Democrats responded angrily

that Senator Faircloth and other Republicans had distorted the conclusions of investigators and that months of federal and congressional investigations had uncovered no crimes on the part of the Clintons.

Before the vote, the White House dropped most of its remaining conditions for releasing the material and said it would make the documents public if the House Banking and Financial Services Committee, which is also investigating Whitewater, agreed that such a disclosure would not waive the president's lawyer-client privilege.

The White House's new posture came shortly after it announced that administration officials had said that the Whitewater independent counsel, Kenneth W. Starr, agreed to this condition. The Senate Whitewater committee had already said that the disclosure of the material would not constitute a waiver; Republicans on the committee say that because the meeting is not protected by the lawyer-client privilege anyway, then disclosing the notes would not waive any privilege.

So, as the debate raged in the Senate, White House lawyers met with the chairman of the House Banking Committee, Representative James A. Leach of Iowa. But Mr. Leach early in the day expressed his reluctance to reach an agreement with the White House because, he said, it could impinge on his committee's ability to investigate whether Clinton officials improperly disclosed confidential information to the first family's personal lawyers.



A SHAKY START — No one was injured when this jumbo jet slid off the runway at New York's JFK Airport after an aborted takeoff. The Tower Air flight had been headed for Miami, with 441 people on board.

Gingrich and the Stubborn First-Termers

By Adam Clymer
New York Times Service

WASHINGTON — The 73 Republican first-term congressmen who made Newt Gingrich a powerful speaker of the House in January have now played a central role in making him look feeble.

All year long, chroniclers of the Republican revolution have asked who was doing the leading. Mr. Gingrich or the self-assured first-termers whom one of their spokesmen, Representative Zach Wamp of Tennessee, recently called "the purest, most worthy group of leaders elected to this body in my lifetime."

This week, at least, it is the freshmen, the core of the hard-line conservatives in the House, who have been in charge. They gave President Bill Clinton the chance to portray Mr. Gingrich on Wednesday as ineffectual and to warn, "The tail will keep wagging the dog over there."

Before leaders patched together an agreement to meet again, what the Republican caucus — about one-third freshmen — did was to force Mr. Gingrich to back off a deal made at the White House on Tuesday. He had promised to move to reopen the closed parts of the government if "real progress" could be made with Mr. Clinton on a balanced budget.

And that was not just the way reporters heard him. Senator Bob Dole, the majority leader, told the Senate on Wednesday morning he expected such a House bill on Wednesday. But the Republican caucus rejected that view on Tuesday

night and again on Wednesday, insisting that a deal on a balanced budget be completed before any temporary spending measure to put 260,000 federal workers back on the job could be brought to a vote.

Their argument was that they could not trust the president. But the effect was to enable Mr. Clinton to say that he could not rely on Mr. Gingrich.

If any budget deal is to be made, it is almost inevitable that the \$245 billion tax cut in

freshmen, he shrugged and answered: "Nothing. Why would I do anything to my freshmen? They made us a majority."

He reflected a fact that is often overlooked: The Republicans have only 236 members of the House. If they lose 19 of them and the Democrats are united, as they pretty much have been lately, they lose.

With those numbers, any group that is organized and can credibly threaten to defect has a lot of influence.

But the relationship is complex. Mr. Gingrich frequently tries to guide the freshmen. In closed meetings, he tells them to behave as part of a "governing" party, which translates as "pass the appropriations bills, even if you don't like everything in them."

Paul Weyrich, head of the Free Congress Research and Education Foundation, a Gingrich adviser for more than a decade, is also close to many of the conservative freshmen. He said in an interview Tuesday:

NEWS ANALYSIS

The Republican budget, a favorite of House freshmen, will have to be substantially reduced. The freshmen have already stood on principle and refused something as popular as putting federal workers back on the job for Christmas. It is far from clear that they would sacrifice their beloved tax cut.

But when Mr. Gingrich was asked on Wednesday afternoon what he would do about the

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POLITICAL

House Approves Welfare Reform

WASHINGTON — The House approved a sweeping overhaul of the nation's welfare system Thursday, despite President Bill Clinton's promise to veto it.

The 245-to-178 vote was mostly along party lines. The legislation would replace the Aid to Families With Dependent Children program with block grants to states, trim food stamp benefits and curb aid to immigrants, disabled children, drug addicts and alcoholics. (AP)

\$28 Billion for Intelligence Voted

WASHINGTON — In a voice vote Thursday, the House approved a \$28 billion budget for its intelligence-gathering industry.

That was after members emerged from a guarded room where they viewed the legislation's full text. (AP)

Shutdowns Hurt Holiday Giving

WASHINGTON — A one-two punch of federal shutdowns during the holiday season has depressed charitable giving in the Washington region.

The Combined Federal Campaign, which raises money from federal workers to support 2,500 local charities, is more than \$6 million short of the \$38.5 million goal. (WP)

U.S. Envoy Gets Reprimand

WASHINGTON — The Clinton administration has reprimanded an ambassador who criticized the Republican-led Congress as isolationist. Republican leaders had requested he be fired for the remark.

Daniel Spiegel, ambassador to the Europe office of the United Nations, was reprimanded after a State Department review, the White House said Thursday. (AP)

Quote/Unquote

President Bill Clinton on the welfare reform bill: "I will veto it and insist that they try again. This welfare bill includes deep cuts that are tough on children." (AP)

Away From Politics

•A \$4.2 billion lawsuit by Louis Farrakhan against the New York Post was dismissed by a judge who said the Nation of Islam leader had offered no proof of malice in a column that cited Malcolm X's widow as blaming Mr. Farrakhan for her husband's murder. (AP)

•Illinois strongly defended its mental hospitals after a court-ordered report denounced them as holding tanks in which patients are locked up, left untreated and then bounced back out again with little follow-up. (AP)

•The Kansas City area, with a 1.6 million population, was ranked the nation's most affordable housing market in the newest quarterly survey of the National Association of Home Builders. (AP)

•A delivery vehicle struck and killed an 8-month-old male wolf pup born to one of the Canadian wolves released in Yellowstone National Park this year, officials said. (AP)

ASIA

South Korea Indicts 2 Ex-Leaders for Coup

By Kevin Sullivan
Washington Post Service

SEOUL — Two former presidents of South Korea, one in prison and the other hospitalized from a 19-day jailhouse hunger strike, were indicted Thursday for their roles in a coup sixteen years ago.

Chun Doo Hwan, the former army general who ruled from 1980 to 1988, faces the death penalty on charges of mutiny for masterminding the December 1979 coup in which he came to power.

Roh Tae Woo, president from 1988 to 1993, another former general who has known Mr. Chun since their school days, is accused of aiding the general by ordering troops from the North Korean border to help in the coup. He also faces the death penalty, although it is highly unlikely that either former president would be executed.

Mr. Roh, 63, has been in jail since his Nov. 16 arrest on charges of accepting bribes to accumulate a multimillion-dollar political slush fund while he was president. He is accused of taking \$369 million from 35 leading industrialists.

Mr. Chun, 64, was hospitalized Wednesday night from a defiant hunger strike in which he has lost 10 kilograms (22 pounds). He is reported to have refused even intravenous feedings.

Mr. Chun, who grew up poor as the son of a farmer, has taken only barley tea, milk and water since his Dec. 3 arrest, which he asserts is political revenge against him by President Kim Young Sam. Mr. Kim was a young opposition politician who spent two years under house arrest during Mr. Chun's dictatorial rule.

Mr. Chun's lawyer, Lee Yang Woo, said his client was "so weak that he cannot even speak up, but he will continue his hunger strike."

There has been little public sympathy for Mr. Chun, a particularly hard-line ruler. The charges against him and Mr. Roh stem from the events of Dec. 12, 1979, six weeks after President Park Chung Hee had been assassinated by his security chief.

That night, General Chun, General Roh and six other

young rebel officers arrested several military officers, including General Chung Seung Hwa, who was army chief of staff and the nation's martial law commander.

Under General Chun's leadership, the generals called troops south from the Demilitarized Zone to assist in the arrests, a move that left South Korea vulnerable to North Korean attack and infuriated American military officials in Seoul.

A new cabinet was named on Dec. 14, and the government continued with a largely figurehead president and with General Chun, General Roh and the other young generals holding power behind the scenes.

The indictments issued Thursday against Mr. Chun and Mr. Roh stop with that incident. But prosecutors are also investigating the roles General Chun and General Roh played in the killings of democracy advocates in Kwangju a few months

later. A special law passed by the National Assembly this week at President Kim's urging will allow them to be prosecuted even though the statute of limitations has expired.

After the 1979 coup, protests against martial law continued, intensifying with student demonstrations after the beginning of a new school year in March.

On May 17, faced with increasing protests, General Chun moved to consolidate his power. After stationing armed soldiers in the capital building, he called the cabinet for a meeting and forced them all to resign. He also announced that he was extending martial law indefinitely.

The next morning, a huge protest began in Kwangju, in South Cholla Province. Before the protest was over 10 days later, at least 193 people had been killed by elite soldiers called in by General Chun and his supporters to put down the demonstrations.



Police deploying Thursday to bar protesters from a Seoul hospital where ex-President Chun is being treated.

Tensions in Asia Put Damper on Growth Optimism

By Michael Richardson
International Herald Tribune

SINGAPORE — After several years of euphoria about East Asia's growth prospects following the end of the Cold War, officials are starting to warn of growing tensions and the risk of armed conflict that would undermine economic gains.

They worry that a resurgence of instability, from the Korean Peninsula to the South China Sea, could eat away at the climate of confidence underpinning rapid economic growth and investment in the region.

At a recent meeting of Southeast Asian leaders in Bangkok, Goh Chok Tong, Singapore's prime minister, cautioned that "the general mood of optimism in the Asia-Pacific has been clouded by the downturn in Sino-U.S. relations, the deterioration in China-Taiwan ties, the increasing difficulties in the U.S.-Japan relationship and the rival claims over the Spratly Islands" in the South China Sea. China, Taiwan, Vietnam, Malaysia, the Philippines and Brunei have overlapping claims on the islands, and keep troops stationed on many of the atolls and reefs they control.

Masahiro Akiyama, director-general of

Japan's Defense Agency, said Tuesday in Tokyo that although the Cold War was over, East Asia still faced unresolved territorial problems, including the armed standoff between North and South Korea, the dispute between Japan and Russia over ownership of the Kuril Islands, and the Spratly issue, which Tokyo views very seriously because of Japan's dependence on imported oil, natural gas and industrial raw materials shipped via the South China Sea.

He said that while East Asian countries were enjoying stability and economic growth, "we have to be ready for new disputes in the region where the balance of the East and West blocs has collapsed."

The end of the Cold War ended the Soviet military threat and ideological tensions between Communist and non-Communist countries in the region. But analysts said that this development had weakened U.S. strategic interests in Japan and other parts of Asia.

They said it had also brought U.S. concerns about its massive trade deficit and other problems with East Asia to the forefront of American foreign policy, creating new sources of friction with many countries in the area and raising questions in the United States about why it should continue a costly military en-

gagement, mainly in Japan and South Korea. "One of the principal security concerns in East Asia since the end of the Cold War is uncertainty about the future of the U.S. military presence in the region," said Desmond Ball, a regional security specialist in the Strategic and Defense Studies Center at the Australian National University in Canberra.

"The belief is widespread in many Asian capitals that the U.S. might not maintain the will, and perhaps over the longer term might lose the economic capacity, to ensure that no other power in the region will become ascendant."

This uncertainty, combined with the surge of economic growth that intensified as Cold War barriers were lifted, has prompted many countries in the region to invest heavily in military modernization programs. There is concern that this might overwhelm the fledgling regional security measures and institutions established since the Cold War to build mutual trust and prevent a regional arms race that could spiral out of control.

Richard Halloran, of the Pacific Forum CSIS research center in Honolulu, said that China was assembling armed forces capable of projecting military power beyond its borders, "and many Asians fear that Beijing will seek to dominate the region unless the U.S.

provides a counterbalance." Other Asia-Pacific countries are hedging their bets by forming closer political and military ties, partly as a counterbalance to the rise of China.

Analysts said that the security agreement signed Monday by Australia and Indonesia was the first example of what was likely to become an increasing trend as countries in Southeast Asia and the Southwest Pacific banded together to sustain stability and economic growth in the region.

"After the end of the Cold War we all started thinking that economics would be the glue that kept us together," said Mari Pangestu, who heads the economics department of the Center for Strategic and International Studies in Jakarta. "But now security is coming up again so that the two are locked together."

Garth Evans, Australia's foreign minister, said that a key question facing the Asia-Pacific region was whether countries that had shown they could work together for common prosperity could also work to achieve their security together.

He said that "for the time being, and for the reasonably foreseeable future, everyone in the region seems far more bent on making money than making war."

23 Are Killed As Car Bomb Wrecks Store in Pakistan City

Reuters

PESHAWAR, Pakistan — A car bomb exploded outside a department store in the northwest Pakistani city of Peshawar on Thursday, killing at least 23 people and wounding more than 50, the police and witnesses said.

The police said the bomb went off in a busy street in Peshawar's Saddar Bazaar district at 6:30 P.M. The area was crowded with shoppers ahead of the Muslim weekend on Friday.

Rescuers were searching for survivors in the basement of the Waddood Sons department store, and officials said the death toll could rise.

There was no immediate claim of responsibility for the blast, which set several cars on fire and wrecked nearby shops. "I cannot say right now who was responsible," Afzal Sherpao, chief minister of North West Frontier Province, of which Peshawar is the capital, told reporters at the scene.

"We will fully investigate," he said. A senior police official said the blast appeared to have been caused by a 25-kilogram (55-pound) time bomb.

"This is the worst bomb here for a long time," said the official, Ghulam Hussain. The provincial police chief, Masood Shah, said he suspected the involvement of an Afghan group because of a series of recent, smaller blasts in the region for which he blamed Afghans.

Peshawar has a large population of Afghan refugees from the war that has raged in neighboring Afghanistan since 1979.

The attack followed a suicide car bombing that wrecked the Egyptian Embassy in Islamabad, the capital, on Nov. 19, killing 16 people and wounding more than 60.

Christians Harassed In China, Group Says

Reuters

WASHINGTON — China is increasing its harassment of unauthorized Catholic and Protestant groups, a human-rights group asserted Thursday.

The group, Human Rights Watch/Asia, said the crackdown on Christians, including stricter controls on contact with foreigners, was part of a broader drive begun in 1994 against all forms of dissent and religion.

"All religious believers, and especially Christians, are seen as potential security risks," said Mickey Spiegel, a researcher for the group.

Chinese Embassy officials in Washington could not be reached for comment.

Cambodia Prince Heads to Exile in France

Agence France-Presse

SINGAPORE — Prince Norodom Sihamoni of Cambodia, charged with plotting to assassinate Prime Minister Hun Sen, slipped into Singapore Thursday on his way to exile in France.

Singapore's Foreign Ministry confirmed Thursday that the 44-year-old half brother of King Norodom Sihamoni was "currently in Singapore on transit to France."

The ministry's spokesman declined to give details.

The prince, a former foreign minister, has steadfastly denied all charges but agreed to be exiled under a deal brokered by the king, and approved by Mr. Hun Sen, to resolve one of the most serious crises for Cam-

bodia's two-year-old coalition government.

The prince left his homeland exactly a month after being arrested in Phnom Penh, where he spent the past two nights at the royal palace in the custody of King Sihamoni. He was given a French visa on Wednesday.

Legal proceedings against the prince, who has been charged with terrorism, attempting to overthrow the government and criminal conspiracy, are expected to continue.

He could be sentenced to life in prison in absentia if convicted. The French Embassy in Singapore declined to comment on arrangements for the prince. Cambodia, a former French colony, does not have an embassy here and conducts its

diplomatic affairs with Singapore from its Bangkok mission.

The prince, secretary-general of the royalist FUNCINPEC party, is expected to leave Saturday night by Air France and arrive Christmas Eve in Paris, where his children are now staying with relatives for the holidays.

Journalists at Changi Airport in Singapore did not see him arrive. Diplomatic sources said he was whisked off through VIP channels for security reasons after arriving on a Silk Air flight from Phnom Penh.

His wife, Princess Christine, a French citizen who works in the Phnom Penh office of the United Nations Educational, Scientific and Cultural Organization, remained in Phnom Penh.

"He did not leave as a criminal, he did not leave as a beaten man," she said after seeing off her husband.

"He did not lose his honor," she added.

The princess was to leave Cambodia on Friday for Thailand on a business trip and then join her family in France after the holidays. She is expected to return to Cambodia on Jan. 6, followed soon afterward by her children.

The king had repeatedly warned his half brother that if he remained in Cambodia his life would be in danger whether he was acquitted or convicted.

Critics have described the prince's arrest as politically motivated.

BRIEFLY ASIA

Tokyo Presses Nuclear Inquiry

TOKYO — Japan's government stepped up Thursday its investigation of an accident at a plutonium-powered nuclear plant, angered by the plant operator's cover-up of a videotape recording showing the accident's full extent.

The Science and Technology Agency said it had lost trust in the operator's ability to investigate itself, so agency investigators would now have the power to give orders and control the inquiry.

The Power Reactor & Nuclear Fuel Development Corp., known as Dones, admitted that it had concealed a video of the Dec. 8 accident, in which two to three tons of sodium leaked in a secondary cooling system. The tape showed mounds of sodium compounds on the floor and caked around cooling vents. Large holes in pipes were visible, as well as burn marks when the sodium combust on contact with air. (AP)

Victory for Mauritius Opposition

PORT LOUIS, Mauritius — The opposition alliance swept to victory Thursday, seizing all 60 elected Parliament seats, provisional results showed.

The alliance, led by Navin Ramgoolam and Paul Berenger, defeated the prime minister, Sir Anerood Jugnauth, taking his Parliament seat and ending his 13 years in power. (Reuters)

Singapore to Cooperate on Maid

SINGAPORE — The authorities in Singapore offered Thursday to cooperate with the Philippines in an investigation into the death of a Filipino maid here.

The offer came a day after President Fidel V. Ramos of the Philippines formed a group to investigate the death of Angelina Palomino, 28, who plunged with her four-year-old ward from a ninth-story apartment here on Dec. 7. The child survived.

A Foreign Ministry spokesman said that the Philippine Embassy had been informed that "Singapore authorities would

extend full cooperation to the Philippine authorities in order to establish the facts" on the maid's death. (AFP)

Pakistan Charges 4 With Sedition

ISLAMABAD, Pakistan — An army general and three other officers arrested in September over an alleged plot to overthrow Prime Minister Benazir Bhutto and impose Islamic law have been charged with sedition, the Defense Ministry said Thursday.

Major General Zaheer ul Islam Abbasi, Brigadier Mustansar Billah, Colonel Mohammed Azad Minhas and Colonel Inayatullah Khan will face a court martial for violation of the Pakistan Army Act and the penal code. (AFP)

Tamils Ease Controls on Civilians

COLOMBO — Tamil Tiger rebels, under pressure from disgruntled Tamil refugees, have relaxed controls on people leaving guerrilla-held areas while making sure those of fighting age remain, residents said Thursday.

"Starting yesterday, they have gone back to issuing passes like earlier," a civilian arriving in the government-controlled northern town of Vavuniya said of the rebels. "Still, they do not issue passes to anyone between 12 and 40 years of age unless they have a significant reason," he added. (Reuters)

VOICES From Asia

Cho Jong Kook, after a South Korean court sentenced a U.S. Army soldier, Sergeant Frank Gollnar, to six months in prison on charges of assaulting him: "I am satisfied with the court ruling. It is a punishment for Mr. Gollnar's refusal to acknowledge his crime and compensate for it." (AP)

Takayuki Fujiyoshi of the Japanese Science and Technology Agency, on the investigation of an accident by the nuclear operator Dones: "Until now we had trusted in their investigation. This is regrettable." (AP)

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Solution to Puzzle of Dec. 21

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EUROPE

U.S. Traitor's Ex-Employer Calls His Behavior in Jail 'Dignified'

By Walter Pincus
Washington Post Service

WASHINGTON — The head of the Russian Foreign Intelligence Service said Wednesday that based on what he has read he believes that Aldrich H. Ames, the CIA agent who has confessed to having spied for the Soviet Union, "is behaving in a dignified manner" since his arrest and imprisonment almost two years ago.

In an unusual interview with the newspaper *Komsomolskaya Pravda* marking the 75th anniversary of the Russian spy service, the director, Yevgeni Primakov, also discussed problems and challenges facing his intelligence agency in terms that often sounded like testimony that John M. Deutch, the director of central intelligence, gave the House intelligence committee on Tuesday.

Both Mr. Primakov and Mr. Deutch, for example, talked about having to rebuild their agencies after the end of the Cold War. Both described new challenges of collecting information about terrorism, proliferation of weapons of mass destruction and economic developments.

Mr. Primakov at one point even talked about the need for the Russian service to employ more women in challenging jobs, a problem that publicly surfaced last year at the CIA with a threatened lawsuit by female case officers.

"Unfortunately," Mr. Primakov said, the Foreign Intelligence Service "has few women working in the field."

"But we are giving them the green light," he added.

"Next year," he said, "our academy will enroll women into a special group."

A question about Russian intelligence officers working for the CIA led Mr. Primakov to draw a sharp line between Soviet traitors who defected to the West and betrayed their colleagues for money and Mr. Ames, the veteran CIA counterintelligence officer who during more than nine years of spying caused the death of at least nine Soviet citizens who worked as agents for the CIA.

Mr. Ames, Mr. Primakov said, gave secrets to Moscow "not only for the sake of money" but because he saw that the Soviet people were not as "aggressive and hostile" as they had been portrayed by his CIA employers.

The Russian defectors "are fond of explaining everything by ideological causes," Mr. Primakov said. "That is rubbish." He added, "They all betray

exclusively for mercantile considerations, for money."

Mr. Ames, who is serving a life sentence in the maximum security facility at the federal penitentiary at Allenwood, Pennsylvania, was not available for comment. His attorney, Plato Casberis, said Wednesday, "As far as I know, Ames has never indicated any preference for the Soviet Union."

"As to Ames himself," Mr. Primakov said, "again judging by publications, he is behaving in a very dignified manner." In the shadowy world of spying, Mr. Primakov's mild statements about Mr. Ames may have no meaning at all, or may be a signal that Russia still plans to pay Mr. Ames money it owes him.

Documents made available at the time that Mr. Ames pleaded guilty showed that

his Russian handlers told him four months before his arrest that Moscow had more than \$1 million set aside for him for his services already rendered. Under the unwritten rules of international espionage, if Mr. Ames did not turn against his former spymasters, those funds would at some time be passed on — if not to him, at least to benefit his family.

In comments that echoed those of his U.S. counterparts, Mr. Primakov charged that some post-Cold War budget cuts in his agency developed "because the press ganged up on us" and "many newspapers wrote absurd things about us, including statements that foreign intelligence was no longer necessary at all."

His remarks about media coverage were similar to recent statements by Mr. Deutch and by his predecessors, R. James Woolsey and Robert M. Gates.

Mr. Deutch told the House committee that the intelligence operations of the interagency Balkan task force, housed at the CIA, had been "a very successful part of our difficult, strained policy process on the whole Balkan-Balkan issue." Mr. Primakov, also referring to the former Yugoslavia, said the Russian intelligence service "was doing all it could to ensure the triumph of justice, to ensure equal treatment of all sides taking part in this conflict."

Both Mr. Primakov and Mr. Deutch also said intelligence had to be used against international crime, and of course against each other. Mr. Primakov said the United States has kept up its intelligence spending and that "European countries, not only in the East but also in the West of Europe, remain targets."

Will Kremlin Stay the Course? Experts See Economic Reforms Continuing

Compiled by Our Staff From Dispatches
MOSCOW — The huge pro-Communist vote in last Sunday's elections was a signal to the Russian government that it cannot ignore pressure for more social spending, but economic experts said Thursday that its tight anti-inflationary policy would continue in the run-up to presidential elections.

Mikhail Bazhanov, chairman of the "Golden Club" of 60 major Russian banks that trade in gold, said at an economic forum here that "there will be more government action on social issues."

But he said his organization did not expect any fundamental economic changes from the government before presidential elections in June.

Alexander Privalov of the Russian economics magazine *Expert* said he did not envisage any major economic battles in the next six months, but that he thought the government would "quickly try to orient its policy to the social side, dealing with pensions and wages."

During the campaign, Prime Minister Viktor S. Chernomyrdin pledged that the government would provide 2.6 trillion rubles (\$578 million) to pay off army

debts, and set up a public fund to help some 20 million small shareholders who lost their savings in investment scams.

The government has already averted a major battle over the economy by jettisoning the 1996 budget adopted by the State Duma before Sunday's elections.

The budget, a key part of the government's attempt to revive the economy, won approval Tuesday in the upper house of Parliament, the Federation Council.

The pre-election appointment of Sergei Dubinin, a Chernomyrdin ally, as the new chairman of the Central Bank also bolstered the government's economic policy.

President Boris N. Yeltsin said during voting Sunday that "no circumstances will make me renounce the chosen course of reforms."

The money markets in Russia reacted calmly to the Communist "victory" — a tacit indication that no dramatic swings of policy are expected.

The Communists kept their firm lead in Russia's parliamentary election, but final results are still being cross-checked for errors, the Central Electoral Commission said Thursday.

In the party list segment of the poll, which decides half of the 450 seats in the Duma, the Communists remained first with 21.99 percent after votes from 192 electoral districts out of 225 had been counted.

Only four parties are set to clear the 5 percent barrier to win places through party lists.

The Communists were followed by the ultranationalists of Vladimir Zhirinovskiy, with 11.14 percent. Third came Mr. Chernomyrdin's Our Home Is Russia party, with 9.65 percent.

The liberal Yabloko bloc is the only other party that looks as though it will clear 5 percent. It won 7.11 percent of the vote.

All of the other 39 parties were below the threshold and appeared unlikely to clear it when the Central Election Commission announces the final count, probably on Friday.

The count in the second part of the election, the 225 individual constituencies, was unofficially finished, the commission said.

Of the last two places decided in this section, one went to Yuri Voronin, the former deputy speaker of the Parliament dissolved by President Yeltsin in 1993. Mr. Voronin was backed by the Communist Party. This gave them 58 constituency places altogether.

The Agrarians, likely allies of the Communists, won 20 places, while Yabloko had 14 and Mr. Chernomyrdin's bloc 10.

The leftist Power to the People bloc led by former Soviet Prime Minister Nikolai Ryzhkov had nine places, equaling the reformist Democratic Choice of Russia.

Altogether, 77 constituency seats have been won by independents who have yet to declare their loyalties. Some may support the Communists, although in the last Duma most were pro-government.

Communists are expected to win control of more than 150 seats altogether, with 30 going to other leftist parties. Together with Mr. Zhirinovskiy's ultranationalists who will have around 50, they would in theory be able to command a majority in the Duma. (AFP, Reuters)



Russian special forces troops returning from a raid on rebels in Gudermes, Chechnya's second largest town.

Russians Press Chechen Town; Its Mayor Says 100 Civilians Die

MOSCOW — Russian troops pressed ahead with an attack to clear rebels out of Chechnya's second highest town Thursday, and its mayor said the fighting had killed more than 100 civilians.

Ramzan Vatsayev, the mayor of Gudermes, said after reaching the region's capital, Grozny: "The Russian troops are using long-range weapons. There are bodies lying in the town center. They can not be buried because of continued shelling."

Mr. Vatsayev said that in fighting Wednesday in the town, 30 kilometers (20 miles) east of Grozny, the Russians had fired from helicopters on rebels and civilians.

The army has been concentrating its attack on a vital railroad link in Gudermes, where separatist rebels surrounded a group of Russian soldiers more than a week ago.

In Moscow, the government held its first cabinet meeting since the new fighting erupted in the region.

On Wednesday, Russian troops used artillery and rocket fire to lift a rebel siege of army headquarters in Gudermes.

A Russian military source said in an interview with the Interfax news agency that troops were unable to use the full force of their heavy artillery against the separatists in the town.

"The troops no longer have room for maneuver with the firing force of tanks and artillery because of the great risk of civilian casualties," he was quoted as saying. "The rebels are taking advantage of the situation to organize resistance all over the town."

A military spokesman told Interfax that six Russian soldiers had been killed in Chechnya, including Gudermes, in the past 24 hours, and that 18 had been wounded.

It was not possible to get independent confirmation of any of the reports on the fighting in Gudermes.

Refugees fleeing the fighting on Wednesday said that the Russian Army had subjected it to the worst shelling they had seen in more than a year of war.

News reports described intense street battles in the town as Russian commanders sent in helicopters loaded with reinforcements to break through lines of Chechen separatists surrounding Russians holed up in strong points.

Thousands of soldiers, rebels and civilians have died in Chechnya in the year since President Boris N. Yeltsin ordered troops into the region to crush its bid for independence.

EUROPEAN TOPICS

A Belgian Toll Booth On the Info-Highway

They're not yet taxing the air Belgians breathe, but the city of Brussels has decided to follow the times and tax company computers.

The measure does not apply to government offices, to the city's European institutions or to computers in people's homes.

But the city, which had watched as revenue from an earlier tax on electronic office machines declined, saw the need to exact a toll — 1,000 Belgian francs, or about \$35 — along the information superhighway.

In a letter to Mayor Francois-Xavier de Donnee, local business leaders say the measure will drive companies to the suburbs or incite them to break up their offices in favor of "tele-commuting."

The idea of taxing robots used in industry, with the tax revenue going to job programs or unemployment benefits, is not new.

The machines, after all, pay no taxes and make no contribution to retirement funds or Social Security. Companies make big savings by using them, so why not charge them a portion of the difference in the name of social solidarity?

The problem, companies retort, is that such taxes put the brakes on development and make them less competitive.

Personal computers, moreover, change work habits but don't always reduce company payrolls. It remains to be seen whether the Brussels initiative will spawn imitations.

Around Europe

German TV producers have proposed a Parliament Channel, *Like America's C-Span*, it would offer live coverage from the floor of the nation's legislature, but there would also be coverage from the European Parliament and even, say, the Israeli Knesset.

Backers hope the channel will reach 15 million viewers. But a poll commissioned by the news magazine *Focus* found viewers have other priorities: 60 percent said they would find a documentary channel interesting; 45 percent would like a travel and weather channel; 42 percent, a children's channel; and 33 percent, a classical music channel. Just 27 percent said they would watch the parliaments of the world, and only 6 percent said they would tune in regularly.

The Irish drink less than the European average, contrary to a common belief. The top drinkers, in terms of liters of alcohol per inhabitant, are France, the Czech Republic and Germany. The myth about the Irish can be explained, perhaps, by the fact that they do nearly all their drinking in public. Whereas the French, for example, drink 65 percent of their beer at home, the Irish do all but 6 percent of their beer-drinking in pubs and restaurants.

The Woman of a Scent: Annette Luhr, 34, recently tracked down for a 92-year-old lady a flask of the perfume with which the lady had her first amorous success as a teenager. Ms. Luhr, a Düsseldorf-based aroma detective — might we call her a private nose? — will scour the world in search of a rare or long-forgotten brand desired by a customer. She can also draw on the 2,000 bottles of perfume she has at home.

International Herald Tribune

Austria May Charge Haider

VIENNA — Austrian public prosecutors said Thursday that they were investigating the possibility of criminal charges against Jörg Haider, the leader of the far-right Freedom Party, the country's third-largest, after an amateur video showed him making a speech praising the Nazi SS.

The video, shown Tuesday on television, of Mr. Haider addressing and mingling with a group of former SS officers in September has sent shock waves through Austrian politics. (Reuters)

2 Bombings in Corsica

AJACCIO, Corsica — Two more bombs exploded on this French Mediterranean island Thursday, damaging a police station and a telephone office but causing no injuries. Thursday's explosions followed three other bombings around the island Monday night or early Tuesday that caused light damage but no injuries. (AP)

Socialists Trail in Spain

MADRID — The governing Socialists would lose the approaching general elections to the leading opposition Popular Party, according to a poll published Thursday.

The poll, showed the conservative Popular Party with 40.2 percent against the Socialists' 31.5 percent, and the United Left with 13.3 percent, the daily *El Mundo* said. (AP)

Le Pen's No. 2 Is Sanctioned

MARSEILLE — The No. 2 in the French far-right National Front of Jean-Marie Le Pen was declared ineligible for public office for one year on Thursday. An administrative court in Marseille said Bruno Mégret had exceeded the legal limit of spending on a local election campaign in Vitrolles, a fast-growing industrial town near Marseille, last June. (Reuters)

Calendar

EU events scheduled for Friday:

NEW DELHI: Commissioner for common commercial policy Sir Leon Brittan pays official visit to India until Jan. 2, meeting Prime Minister P.V. Narasimha Rao and other government members.

BRUSSELS: EU fisheries ministers continue meeting to set catch quotas for 1996.

Sources: Agence Europe, AFP

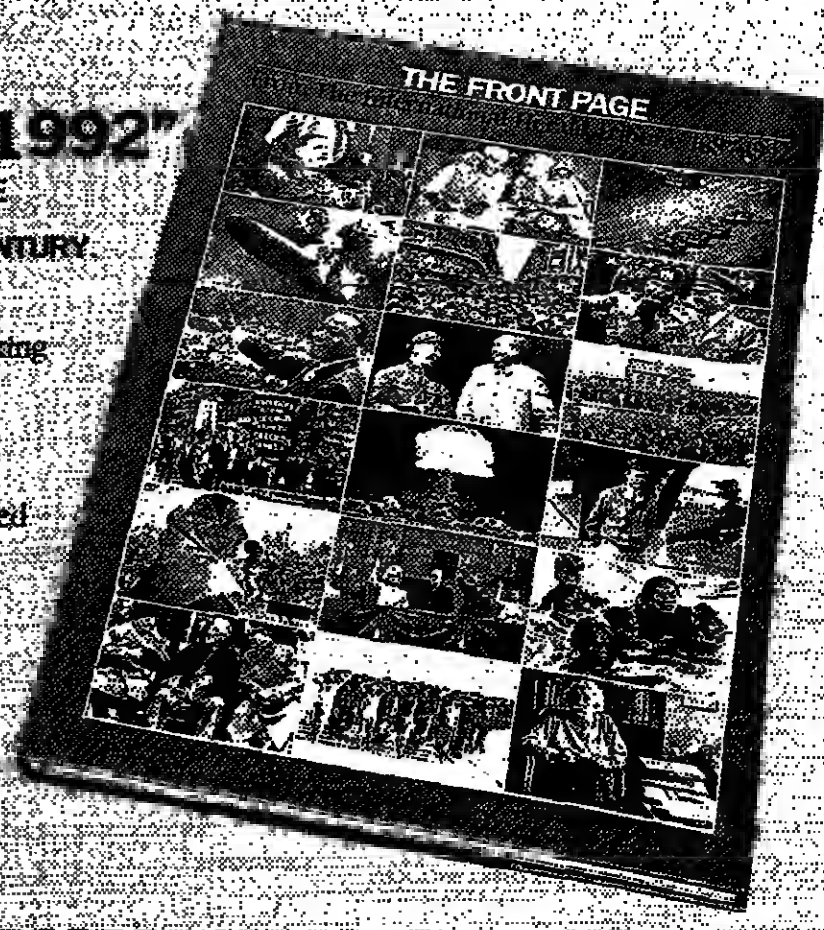
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British General Defined the Solution to Peacekeeping in Bosnia

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Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Onward Toward the Euro

Taking a deep breath, Europe's top politicians have committed themselves to the next step toward a tighter union of their 15 countries. Meeting in Madrid last weekend, the European Union agreed on a timetable for a common currency. This new money — to be known, unimaginatively, as the euro — has taken on an importance that goes far beyond finance.

It is the essential part of a grand design to pull the European democracies more tightly together and, specifically, to anchor a unified Germany permanently to its Western allies.

While the Germans welcome its political implications, they insist that the new currency has to be stable — meaning low inflation, which in turn means low budget deficits.

The French government's attempt to get its budget deficit down set off the wave of transport workers' strikes that disrupted the country this month, at a huge cost to the economy. The whole episode stands as an ominous warning to other European governments with high deficits, a category that includes most of them. Under the timetable adopted at Madrid, they have two years to meet the new currency's criteria.

France, or at least the French government, is determined to make that deadline. If it doesn't, there won't be any euro.

It depends crucially on participation of both France and Germany, the two countries on whose active cooperation everything in the European Union depends.

But even if France qualifies, half of the Union's countries won't. As the French strikes and much other evidence suggest, the common currency is an idea for which the European governments have never had strong public support. Britain has already said it will stay out. It seems hardly possible that Italy and Spain, among others, can get their enormous deficits down to the required level.

That raises the possibility that the common currency, intended to tie the European Union more closely together, will in fact have the effect of splitting it. One zone would have great economic and financial strength, the other much less.

European politics is now centered obsessively on these questions of the currency, the deficits, the future shape of the European economy and who is going to be left out. Those concerns are taking priority over all others, including those, like Bosnia, that are of greater interest to Americans. Proceeding toward the common currency is going to be a perilous undertaking — although, as the 15 countries at the Madrid meeting agreed, not as perilous as turning back.

—THE WASHINGTON POST.

Make a Budget Deal

As budget talks floundered in Washington on Wednesday, President Bill Clinton angrily blamed the band of fire-breathing conservatives in the House for preventing the speaker, Newt Gingrich, from negotiating seriously. The president was not wrong in his assessment, but he was not wholly right, either. The negotiations are at an impasse at least as much because Mr. Clinton has not shown his own hand on where he wants the budget to go.

With a substantial part of the government still shut down in the week before Christmas, both sides need to take the process more seriously and make concessions to get things going.

The budget talks come at an extremely fluid time on both sides of the aisle. On the Republican side, the first signs of disagreement are emerging between Mr. Gingrich and Bob Dole, the Senate majority leader. After the first budget shutdown of a few weeks ago, Mr. Dole was not the only one to recognize that it was the Republicans, not Mr. Clinton, who got the public's blame for intransigence. He has made it clear that he did not agree with keeping the government shuttered in this second round. The president slyly went out of his way on Wednesday to drive a wedge into the Republican camp by praising Mr. Dole for making a good-faith effort to negotiate, as opposed to Mr. Gingrich.

But on the Democratic side the divisions are even deeper. Many liberal Democrats were dismayed when Mr. Clinton boxed himself in last month by promising to balance the budget according to congressional scorekeeping. They feared that in order to get a deal he would scrap key parts of his agenda, including programs that protect poor children. But if he refuses to move toward the Republicans, he risks losing the support of dozens of moderate and conservative Democrats. Among these is a group of lawmakers calling themselves the Blue Dogs, a parody of the old term "yellow dog Democrats," whose party loyalty was so great that they would vote for a yellow dog over a Republican. Right now it is the

conservative and moderate Democrats and some moderate Republicans in the House and Senate who are waiting for Mr. Clinton to sit at the table and deal.

In face-to-face negotiations with Republican leaders, Mr. Clinton has been stalling. He effectively reneged on his promise to show how he would balance a budget in seven years, using the more conservative economic assumptions of the Congressional Budget Office. In fact, his plan fell at least \$300 billion short. Tactically, it may have been shrewd of him to hold back. The opinion polls show that the White House has captured the high ground politically, with growing numbers of Americans viewing the president as resolute in protecting programs that help children, the poor and the elderly. But now he should move. He should seize on some of the ideas of the centrists and try to forge a unified Democratic position that modifies the White House's original proposals.

Specifically, Mr. Clinton should continue to demand that the Republicans modify their cuts, preserving federally guaranteed Medicaid, food stamps and nutrition programs. In exchange, he should radically scale back, if not drop, his proposed middle-class tax cut.

The Blue Dogs favor no tax cut at all until the budget is balanced, a position that might give the president some cover if he moves toward it. He would also move the talks along by signaling a willingness to raise the heavily subsidized premiums that the elderly pay for Medicare. Republican leaders have gone first on this proposal, and it has won some support among the moderate Democrats.

The deal that could emerge from this process is probably not one that liberals would swallow. Nor is it one that the cadre of true believers breathing down Mr. Gingrich's neck would accept. But with the right mix of concessions and demands, Mr. Clinton might be able to break the current impasse, get a better deal than he could get from endless delays, and preserve a broad set of principles on which he can run for re-election.

—THE NEW YORK TIMES.

Other Comment

Indicted as War Criminals

Ratko Mladic, the Bosnian Serbian warlord, is reported holed up in a mountain bunker and drinking heavily. Dusan Tadic, accused of murder, rape and torture of Muslims, sits in a Dutch jail. These two and 50 others, ethnic Serbs and Croats and one Muslim, have been indicted as war criminals, the worst of a brutal lot in a conflict without pity. None should be given to them if they are found guilty.

Only Mr. Tadic, whose alleged crimes are too sadistic to be described here, is in custody. The 52 have been indicted by the United Nations tribunal at The Hague, but the leaders of Serbia, Croatia and Bosnia-Herzegovina so far have not turned over any indicted countryman.

Indictments were returned in absentia against 45 Bosnian Serbs, including Mr. Tadic. Many of their crimes were committed early in the war, during the initial frenzy of "ethnic cleansing." The campaign involved driving Muslims from their homes, killing those who resisted and raping the women in a deliberate assault against Muslim genetic lines.

Where they could, the less well-armed Muslim forces took revenge by attacking Serbian civilians, and Croats were aggressors and victims in similar outrages.

The NATO peacekeeping force has begun deploying in Bosnia with no orders to seek out war criminals. An indicted thug would probably have to wave a warrant for his arrest under the nose of NATO security to be taken into custody, Western diplomats say.

President Franco Tudjman of Croatia, an ultranationalist, probably would not countenance turning over any of his soldiers, and the United Nations has little influence over him. President Slobodan Milosevic of Serbia is more exposed. Most of the accused are Bosnian Serbs, agitated by his regime. And the UN Security Council brought the Serbian economy to its knees with a trade embargo for arming the Bosnian Muslims. The threat could be raised again.

The world community must press for compliance. But even without it, history shows that sometime, somewhere there is a bullet waiting for men like these.

—Los Angeles Times.

Russia Will Be a Challenge to Western Diplomacy

By Flora Lewis

PARIS — Anger, bewilderment, pain and fear of the future brought the Communist Party back to popularity in Russia only four years after it was ousted from power and the Soviet Union dissolved. It was above all a vote of "no" to the government and reforms as Russians have experienced them.

The significance is not to be overblown. It does not mean that Russia is about to revert to a Communist dictatorship again. Gennadi Zyuganov, 53, but almost a caricature of the old-fashioned apparatchik, brought his list in first with more than 20 percent of the vote for the half of the Duma seats elected by proportional representation.

The other half was elected in single-member constituencies, with many candidates running as independents, so real party strength cannot be measured until the new legislature is organized. In any case, the constitution gives effective power to the president. A presidential election is due next June.

But neither can the vote be brushed aside. It was a measure of the intense discontent in the country, and lack of confidence in change. In Moscow a week before the elections, Grigori Yavlinsky, who heads the determinedly reformist Yabloko bloc, told me ruefully that he wasn't doing as well as he had hoped because "I'm not seen as real opposition

— people hate the government so much they support its all-out enemies."

Campaigning, Mr. Zyuganov pulled out the stops. "Democracy is a mess," he declared. "Russia is a bleeding wound. Of all the disasters that have befallen Russia during her long and tragic history, this is the worst."

He played to the comforting old suspicions of foreign conspiracy. Russia has fallen victim to a psychological war, he said, launched by the United States on its drive for global domination. He painted the independent domestic media as a tool for subversion and disorientation, and his elderly audiences applauded dutifully. (Thirty million Russians, one in five, are pensioners.)

The Zyuganov message is carefully, tactically focused. In speeches to foreigners and interviews with foreign journalists, he reassures that he doesn't want to restore a one-party state or a dictatorship, explaining that he has not changed the party's name to something about social democracy, as many other Communist parties have, "because our name is appropriate for us."

But before his supporters he draws on nostalgia, on the yearning for certitude, on the image of egalitarianism even

though it masked great privilege. Now the privilege of wealth is flaunted and crime is privatized.

The anti-American diatribes have broad resonance. All across the spectrum of opinion, from the most pro-Western to the most nationalistic, there are complaints about what Russians feel is the bad treatment they are getting from those whom they expected to be partners.

There was too much euphoria about anticipated floods of help, too much self-delusion about equality of standing in the Cold War, so disappointment was inevitable. But there is more than that, a growing bitterness and a new sense of need for defense against being exploited to the advantage of others.

It is a matter of urgency to bury up and get the START-2 treaty ratified providing for dismantlement of 12,000 nuclear warheads in the American and Russian arsenals. Russian analysts consider spring the effective deadline, because then presidential politics will bring renewed demagoguery and distortion.

At last there is a breakthrough on the American side stalling ratification, with a pledge from the obstinate Senator Jesse Helms to seed the treaty to the Senate floor for a vote. It is a fair and vital treaty, in the full interests of Russia, the United States and all the world, for that matter.

But in their present mood, Russians are

inclined to think that anything foreigners want them to do is bad for them. Some quiet bilateral talks, perhaps semi-official, should be held quickly to promote the climate for early ratification.

In any case, the West now faces another dilemma with Russia's leadership. Washington has told Moscow firmly that it would take a very dim view of any attempt to call off the presidential election. That is right. In this precarious period, it is particularly essential to stick to democratic principles. It is quite unlikely that Boris Yeltsin can get himself re-elected. But the people around him not only cling to power, they have reason to fear what one politician called "truly nasty investigations" if they have to step down.

The probable alternatives to Mr. Yeltsin are worrisome, all the more given Prime Minister Viktor Chornomyrdin's Prime Minister showing last Sunday. Russian opinion exaggerates Western and U.S. support for Mr. Yeltsin, which adds to the boomerang effect. It will take exquisitely fine diplomatic tuning to encourage cooperation with Russia, advancement of democracy, and yet avoid appearing to try to impose a Western choice of leader.

Russia's unhappiness does not threaten the West at this stage, but it will bring serious discomfort. We have to be wise and patient.

© Flora Lewis

Reform Is Far From Dead, but the Communist Past Is an Obstacle

By Philip Tanbman

NEW YORK — Many Russians, to rephrase Winston Churchill, apparently believe that communism is the worst form of government except for all the others.

That seems astonishing. After enduring all those endless lines in the Arctic winter to buy a stunted head of cabbage, after quietly suffering all the grandiose nonsense about Lenin's ideals and studying Marxist-Leninism until the mind went numb, after watching your country sink into an economic and political stupor, how could you vote for the Communist Party?

Millions of Russians did so Sunday, raising the Communist Party from the dead and making it the most powerful political organization in Russia. The resurrection is disturbing, yet at the same time intriguing.

In one sense, the vote seems to be the political version of the Stockholm syndrome, the phenomenon common in hostage cases when terrorized victims begin to identify with their captors.

Russia is still recovering from more than seven decades of Soviet tyranny, and many Russians apparently still identify more closely with the dictators who controlled their lives than with the democrats who freed them.

At the same time, many Russians, particularly the elderly and those still living in rural areas, appear genuinely nostalgic for the security blanket that came with communism.

For all the terrible pain it inflicted, and the millions of lives it destroyed, Soviet communism provided a crude safety net that

gave citizens the illusion that the Communist Party was looking after their interests. The development of a free market has ripped away the net.

The Communist system was suffocating, patronizing and calculated to keep the country obedient. Some Russians recognized it as a narcotic, and fought to overcome it. The internal security forces were always there to silence them.

Most Russians chose not to take that risk, or ceased to care what the purpose of the system was as long as bread was cheap, jobs were plentiful, education was universal, health care was free and vacations were subsidized. The bread was excellent, but many people now seem to have forgotten that lots of the

jobs were pointless, education was politically contaminated, health care was atrocious and Soviet vacations were Spartan.

The whole enterprise was ideologically dressed up as a workers' paradise. Although some Russians were true believers, most were smart enough to see through the pseudo-science. But the system still enveloped them.

Now, that people have had a taste of unemployment, inflation, crime and other problems that have come with democracy, it is shrewd politics for the new Communists to suggest that the old days were actually pretty good. The party, at least for now, has distanced itself from the most brazen practices of the past, including one-party politics, censorship and repression of dissent.

The reporting and the polling data from Russia show that the

Communists gained from discontent about an uneven economy and upheaval in Russian life. Voters in Moscow, St. Petersburg and some other urban centers, where the benefits of reform have materialized most quickly, voted for reform candidates. Nearly everywhere else, Communists and nationalists did well, singing from essentially the same page of promises about restoring order and economic stability, shorthand for the Communist safety net.

Reform in Russia is far from dead, but it has run into a formidable obstacle — the past. To prevail in the months and years ahead, the reformers will have to convince millions of their countrymen that the uncertainty of freedom is preferable to the security of communism, as daunting as it was.

The New York Times.

The Central Dilemma of the Welfare States: How to Scale Back

By Robert J. Samuelson

WASHINGTON — There is so much scripted melodrama in the Washington budget struggle that the larger issues get lost. But anyone who doubts that there are larger issues should reflect upon what has been happening in France, where angry unions shut down basic public services in protest to the government's efforts to cut its budget deficit.

Paris and Washington are grappling with the central dilemma of the modern welfare state: how to scale back popular benefits that no longer can be afforded.

The difference with Paris is that in Washington the resistance to change is led by the president. Bill Clinton plays the role that the unions play in France. He has sought to make changes harder, perhaps impossible, by denouncing those who propose them as cruel. He provoked both government "shutdowns" to dramatize his case. The shutdowns have been political props to cast the Republicans as irresponsible.

But the message from Paris is that if changes are delayed for too long, they ultimately trigger social turmoil. And change is inevitable, because the welfare state — a term that Americans dislike but that describes U.S. social spending almost as much as Europe's — is overextended.

It aimed to make capitalism compassionate. Governments everywhere created benefits for the old, the unemployed and the poor. Rules were devised to raise wages and improve job security and working conditions.

To say that all these benefits can no longer be afforded means that they have hit two limits. The first is political. Although benefits are popular, voters will not support them with higher taxes.

Almost all industrial countries run budget deficits. In many countries, tax burdens have reached the point of diminishing returns. That is, higher taxes cause more tax

evasion. The wealthy shift funds to tax havens. The less wealthy resort to the "underground economy" (informal transactions that are not taxed).

Economics imposes the second limit. At some point, big government — through punitive taxes, wasteful spending and rigid regulation — undermines economic growth and job creation.

America may not have reached this point, but most European countries have. In 1995, U.S. government spending totals 34 percent of gross domestic product. By contrast, it is 50 percent in Germany, 54 percent in France.

Pressures on the welfare state will intensify everywhere for the same reason: aging populations. In most countries, the lion's share of social spending goes to the elderly. Longer life spans, post-war baby booms and modern medicine combine to create a growing economic burden.

As projected by the OECD, the number of potential workers per retiree in the United States is 4.7 in 1995 and will be 3.3 in 2005. For France the corresponding numbers are 2.8 and 1.7. For Japan, 2.8 and 2.1. For Germany, 3.1 and 2.3. For Italy, 2.4 and 1.8.

Unless they are modified, existing social security and health insurance programs will push up spending, taxes or deficits dramatically. All countries will consider lowering benefits, raising retirement ages or both.

The welfare state's ultimate horror is a suicidal spiral. The economy sputters, making it hard for governments to pay benefits, but efforts to revive the economy by curbing benefits founder on popular resistance. Europe is already caught in this spiral.

In 1973, France's unemployment rate was less than 3 percent; now it is 11.5 percent. For the entire European Union, unemployment averages almost 11 percent. The welfare state did not cause all this joblessness, but it caused a lot.

Still, it is hard to change, as France's strikes attest. In fact, the proposed changes are not that harsh. Family allowances (payments for children) would be frozen for a year and then be subject to taxes. Open-ended reimbursement for health costs, which leads to the overuse of drugs and of doctors, would be checked by spending limits. A modest income tax surcharge (0.5 percent of income) would be imposed to retire the social security system's debt. But the system's main features would remain.

It is equally true that Congress's budget changes would not destroy France's strikes.

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America's welfare state. Some programs for the poor (Aid to Families with Dependent Children, Medicaid) would be largely shifted to states through block grants. The growth of Medicare for the elderly would be slowed slightly. There is room to argue about these changes. They may weaken the social safety net, but it is inaccurate to say that they discard it.

To vilify Republicans, Mr. Clinton has said precisely that. Nor has he yet bargained in good faith, as he repeatedly said he would, to reach a balanced budget. In mid-November, he and congressional leaders agreed to reach a balance in seven years using economic assumptions of the Congressional Budget Office. Despite his pledge, Mr. Clinton has not said how he would do that. His latest plan fell \$70 billion to \$90 billion short of balance in 2002.

As in France, the politics pit present against future voters. Mr. Clinton has positioned himself as the protector of the present.

The real question is not whether the welfare state survives. It will. Hardly anyone wants to revert to unfettered capitalism. The real question is whether it can gradually rein in its overcommitments — or whether it will do so convulsively as the result of crisis.

The case for anticipating crisis is never easy. Everyone can see who loses by planned change; no one can see precisely who wins by avoided crisis. But doing nothing won't work. The sooner Americans start, the easier it will be. The United States is not yet in Europe's fix, but if it waits long enough it could be.

The Washington Post.

Senators Self-Impose Term Limits

By Warren E. Rudman

WASHINGTON — The voluntary retirement of 12 senators at the end of this term, including the exceptionally able Sam Nunn of Georgia, Bill Bradley of New Jersey, Nancy Kassebaum of Kansas, Alan Simpson of Wyoming and David Pryor of Arkansas, has caused speculation and distress.

These are people at the top of their game, and who were likely to be re-elected. How could they walk away from the power and prestige of a Senate seat?

Consider a typical day for a typical senator, based on my experience and that of colleagues. 6 A.M. You head to Capitol Hill for breakfast with constituents. You find that they have been shocked by an editorial that morning in the largest paper in your state. It accuses you of driving the children of America into the arms of atheism. Why? Because your view of the constitution obliged you to vote against a bill to require prayer in the public schools.

8 A.M. You discuss the day's agenda with the staff. An aide brings in hundreds of letters that arrived yesterday. You read as many as time permits, then dictate the message you want conveyed to constituents' various concerns.

9 A.M. You have three committee hearings going on simultaneously, and you attend parts of all three, knowing that you are spread too thin. Your press secretary slips you a note: 20 reporters have called about your criticism of the president last

night. You return some of the calls between hearings.

Noon. Your state party chairman calls to say that a handsome golf pro who recently married a very rich woman has decided that he wants to be a senator. You think you can defeat him, but you will have to raise \$10 million in the next two years, instead of \$5 million as for a normal race.

12:15 P.M. You take prominent businessmen from your state to lunch in the Senate dining room. They agree on the urgency of a balanced budget — of course, only if it does not mean higher taxes or reduced benefits for them. You pick up the tab.

1 P.M. to 6 P.M. Bells start calling you to votes on the Senate floor. They ring all afternoon. Many are on amendments relating to abortion, flag burning, pornography and school prayer. None will pass, but their sponsors are eager to make statements for the papers back home.

New senators, the ones obsessed with protecting the flag, don't seem equally concerned about protecting the economy. The number of votes, in committee and on the floor, has nearly doubled since 1980, when I entered the Senate.

You go to your party's campaign office on the Hill and get a list of people to ask for money. You have to call from there. It is illegal to call from your office. You hate asking strangers for

money, but you have the golf pro to worry about.

6 P.M. You attend fund-raisers for two colleagues. Several people call you Gramm because you co-sponsored the Gramm-Rudman Balanced Budget Act. One fellow says, "Gramm, are you really in favor of atheism?" You choke down peanuts and two small sausages for dinner.

8 P.M. You are back on the Senate floor for debate on major budget amendments. The mood is angry, people are bitter, ideologues on both sides reject compromise. Some people won't speak to each other.

1 A.M. The majority leader gives up and adjourns. Late nights have become the rule. You wonder if you'll be able to leave the next afternoon to spend the weekend in your home state. It will be filled with meetings with constituents, fund-raising, town meetings and press conferences.

1:30 A.M. You're home. The family is sleeping. You ask yourself, "Who needs this?" I have long opposed term limits. For one thing, life in the Senate will increasingly result in self-imposed term limits.

The rush for the exits isn't surprising. I left in 1992. I am 65 years old. I felt 75 in the Senate. I feel 35 now.

The writer, a New Hampshire Republican, is author of the forthcoming "Combat: 12 Years in the United States Senate." He contributed this column to The New York Times.

1895: Herald Praised

NEW YORK — The Buffalo News says the Paris Herald this pretty editorial compliment: "The Paris edition of the New York Herald is complimented on all sides by Americans returning from Continental tours. You can look to it in any part of Europe for information concerning America. During the past year its circulation has largely extended and we see it quoted everywhere."

1920: Police Outwitted

NEW YORK — The latest development in steps taken by the police to arrest the crime wave is the search of all persons on the street after midnight here. Uniformed policemen are used in this work so that the pedestrians will not think they are being held up by bandits. While the police authorities were thus active on the streets bringing criminals to headquarters, cracksmen spent ten hours

ransacking a building within a half a block of police headquarters, they forced two safes and robbed desks, obtaining loot worth several thousands of dollars.

1945: Patton's Passing

HEIDELBERG — General George S. Patton, Jr., sixty, died this afternoon (Dec. 21) in the 130th Station Hospital of complications resulting from injuries he suffered Dec. 9 when his sedan collided with an army truck in Mannheim. The General, who was in the final auto accident on the eve of his return to the United States, was believed on the road to recovery when pulmonary complications developed yesterday. A congestion of the lung proved too great a strain on the heart which led him to many vicariously on the battlefield. The old cavalryman, who was unscathed in battles from North Africa to Germany, died in an old cavalry barracks converted to a hospital in 1943.



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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France.
Tel.: (1) 41 43 93 00. Fax: (1) 41 43 92 10. Adv.: (1) 41 43 92 12. Internet: IHT@euronline.
Editor for Asia: Michael Richardson, 5 Convent Road, Singapore 0511. Tel: (65) 472-7788. Fax: (65) 274-2334.
Mrs. Dr. Ann. Rolf D. Krumpholtz, 50 Gloucester Rd., Hong Kong. Tel: 852 2622 1198. Fax: 852 2622 1190.
Gen. Mgr. Germany: T. Schuler, Friedrichstr. 12, 10117 Berlin. Tel: (49) 30 202 1198. Fax: (49) 30 202 1190.
Pres. U.S.: Michael Gorman, 800 Third Ave., New York, N.Y. 10022. Tel: (212) 738 8800. Fax: (212) 738 8800.
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S.A. and Canada: 1300 Oak F. Rd. N.W., Suite 100, Grand Rapids, MI 49503. Tel: (616) 234-2254.
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OPINION/LETTERS

Green Kid Takes the Rap in Whitewater Cover-Up

By William Safire

WASHINGTON — When you're a lawyer who needs a cover story to conceal close connections to a crooked client, you find some kid in your office willing to say he brought in the business and handled the client all by himself.

That's the significance of three little words in the notes taken down by Susan Thomases, Hillary Clinton's closest confidante and protector, of a telephone call to Webster Hubbell, Mrs. Clinton's law partner, early in the 1992 presidential campaign. They were working out a story that would distance Mrs. Clinton from questions about her client, the failing Madison S&L, which was tightly regulated by appointees of her husband, the governor of Arkansas.

"Rick will say he... had a lot to do with getting the client in," read the notes subpoenaed from Mrs. Thomases' law firm, quoting Mr. Hubbell, who later ran the Clinton Justice Department and is now in jail. To anyone sensitive to nuances of cover-up, that sly "will say" is a tip-off to the concoction of a lie.

Secure in what Rick Massey would say, Mrs. Clinton, as first lady, confidently told the White House press corps in 1994: "There was a very bright

young associate in our law firm who had a relationship with one of the officers of Madison.... The young attorney, the young bank officer did all the work."

Mrs. Clinton repeated that story under oath. But evidently there were law firm bills, time sheets and other documents that showed otherwise. Between "Rick will say" and now, those files — zealously guarded by Vince Foster and Web Hubbell — have vanished.

The interest of the Justice Department in the files in Mr. Foster's office triggered a series of panicked phone calls and orders immediately after his apparent suicide.

Obstruction from on high stares us in the face. Late in the day on July 21, 1993, the White House counsel, Bernard Nussbaum — unaware of what would profoundly worry Mrs. Clinton — agreed to review the dead man's files with senior Justice officials the next morning. But at 11 P.M., Susan Thomases called Mrs. Clinton at her mother's home, logs show a dozen early-morning calls among the first lady, her chief of staff, Margaret Williams, Ms. Thomases, and Mr. Nussbaum.

After that telephonic heat, Mr. Nussbaum told an associate that Mrs. Clinton objected to law enforcement having "unfettered access" to those files, oow suspected to document the Clintons' corruptly subsidized investment in Whitewater as well as her legal representation of Madison. On Hillary's order, Mr. Nussbaum broke his agreement, causing the deputy attorney general to demand: "What are you trying to hide?"

Two years ago, they were hiding Hillary's dealings with a criminal bank whose collapse cost taxpayers \$60 million. Today they may be trying to hide the illegal transmission of federal investigative data to the Clintons' personal lawyer.

As the Senate peels back the cover-up, a growing audience sees Margaret Williams — spotted by a White House policeman carting files from Mr. Foster's office — in belief-defying denial. And Democratic senators fall silent as Susan Thomases, displaying an amazing forgettery under oath, professes to draw a total blank about her first meeting with Mrs. Clinton after Mr. Foster's death.

But the Clintons repay their loyalists. They just appointed Jim Hamilton, a Watergate lawyer who wrote a splendid Whitewater stonewall strategy, to the prestigious Foreign Intelligence Advisory Board. Diane Blair, present at Hillary's circling of the wagons the week Justice was denied, graces the board of the Corporation for Public Broadcasting. And hang-tough Jack Quinn, eager to claim privilege where Abner Mikva might have had misgivings, was elevated to White House counsel.

The Clinton game is to stall for 11 more months, past Election Day, hoping no copies exist of items in sanitized files.

Despite congressional subpoena power, I doubt this case will be broken by a gunsmoking document. As in Watergate, revelation of the cover-up needs an embittered or terrified informer, low-level (like James McCord) or higher (like John Dean).

The independent counsel must be working over a few insiders. Let's see if Web Hubbell, again before a grand jury, will risk a perjury charge. And let's hear what a fellow like Rick will say.

The New York Times

From One Paranoid Spirit to Another

By Maureen Dowd

WASHINGTON — I thought Oliver Stone might go all the way, and have Anthony Hopkins play Nixon as Hannibal Lecter.

Imagine Nixon in the Oval Office, listening to the "Goldberg Variations" and savoring the prospect of eating John Dean's liver with some fava beans and a nice Chianti.

Or perhaps a scene where he smiles frostily and sends his valet Manolo Sanchez to fetch an impudent Bordeaux

MEANWHILE

from the White House wine cellar. He is having Bob Woodward for lunch.

But Oliver Stone wanted to make a sympathetic movie about a kindred paranoid spirit. "It's a film that heals," he said from his car phone. So he does not present President Richard Nixon as a cannibalistic psychopath. He merely portrays him as a pill-popping, Scotch-swilling, impotent madman haunted by his role in CIA plots to assassinate Fidel Castro that got out of control and killed John F. Kennedy.

Evan Thomas, author of "The Very Best Men," a history of the early CIA, says that his interviews and research into classified documents showed Mr. Nixon had no role in CIA assassination plots, and he added that it would be laughable to accuse the CIA of killing President

Kennedy — if so many people didn't believe it, thanks to Oliver Stone.

After a screening of "Nixon" at the Kennedy Center, Bob Woodward observed, "I guess everybody gets the psychoanalyst they deserve, and Nixon got Oliver Stone."

Perhaps every society gets the myth-maker it deserves as well. A culture that confuses celebrity with value, historical knowledge with repressed memory, gets Oliver Stone.

After the storm over "JFK," in which the director implied that Lyndon Johnson and the CIA were part of a conspiracy about President Kennedy's death, Mr. Stone is trying to have it both ways. Wanting to be seen as historically scrupulous, he hired Nixon aides as consultants and published a script with footnotes.

But when asked about some blatant twisting of fact, he falls back on the argument that it's just a movie. "It's a Nixon," he told USA Today. "It's not the Nixon." (That's like saying, "I am not a crook," as opposed to "I am not the crook.")

After you've seen enough "documentary replacements," as Mr. Stone calls his morphing of actors with real footage — Mr. Hopkins debating Mr. Kennedy and

pointing his finger at Nikita Khrushchev — it just looks like any Nixon.

Hollywood has always mixed entertainment and history. In "Night and Day," Cary Grant played Cole Porter as a devout heterosexual. But Mr. Stone does oot sugarcoat. He poison-coats, mixing fact and propaganda with such skill that millions of impressionable moviegoers are left believing that there has been nothing but darkness at the top. His talent as a filmmaker does not make the situation better. Artful falsehood is more dangerous than artless falsehood, because fewer people will see through it.

He gloms on to whole sections of recent history and filters everything through one unproven prism: that J.F.K. wanted to withdraw from Vietnam, and that he was murdered for it by The System.

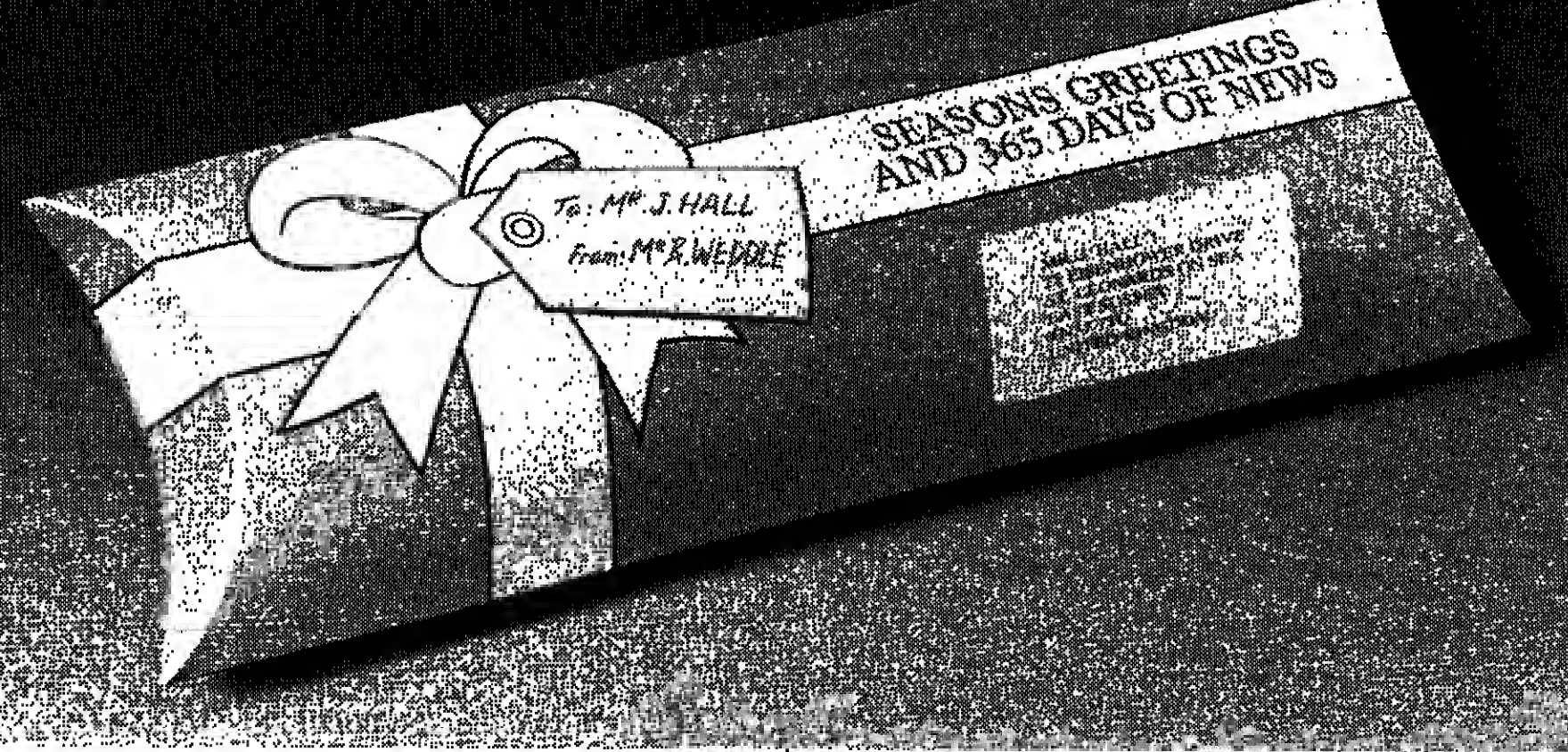
In 1992, some New York Times reporters had coffee with Mr. Nixon. He analyzed the political landscape, predicting that the Iraqis would not harm George Bush, unless there were incriminating tapes.

"And I know something about tapes," he murmured drily. Poor Nixon — all those tapes, with all those juicy quotes and all that drama and wickedness, and still Hollywood gets it wrong.

Oh, for the day when we won't have Oliver Stone to kick around anymore.

The New York Times

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THE WORLD'S DAILY NEWSPAPER

LETTERS TO THE EDITOR

Rape Is a War Crime

Crimes against women have been "disappeared" from view in the recent media coverage of Bosnia — and, before that, from the political and military decision-making. Every day, "ethnic cleansing" is decried, but we no longer hear about the mass rapes. Rape is "gender cleansing." The intended effect is always the same: to utterly break the spirit of the rape victim, to drive her out of her body and out of her mind so as to render her incapable of resistance.

Physicians and relief workers have described the raped women of Bosnia as "broken," "withdrawn," "afflicted with nightmares," "suicidal." According to Dr. Michael Curran, a U.S. volunteer for Doctors Without Borders, the leading cause of death in Bosnia's Tuzla camp is suicide, making it "probably the only refugee camp in the world where that is the case."

The rapists in Bosnia were not out of control; they were implementing Serbian military "ethnic cleansing" policy. They were only following orders. Yes, fascist/nationalist Croatian and Muslim soldiers raped women, too, with as much ferocity, although perhaps on a smaller scale.

For the first time in history, the UN-convened Hague Tribunal will prosecute rape as a war crime. This is a valuable, promising approach. Perhaps our global perception of rape will shift, radically, once it becomes known that rape is a crime against humanity and a war crime.

PHYLLIS CHESLER,
New York.

Two Views of Assad

Thomas Friedman ("Does the Cold Syrian Understand?" *Opinion*, Nov. 27) has it right when he refers to Hafez Assad as a killer, a man without compassion. His regime is a reflection of a militaristic ruling elite issued from the Alawite minority that oppresses the majority of Syrians under the torn banner of pan-Arabist Greater Syria.

What Mr. Friedman does not leave us with is a good reason for diplomatic fawning over Syria even if Mr. Assad were to smile at the Israelis and try to court Yitzhak Rabin's widow.

Overtures to the Syrian dictatorship are vain and futile if true peace is to be further advanced in the Middle East. Mr. Assad's tyranny should not be further institutionalized and spread in the name of "peace."

The next important peace prize should be Lebanon, not Syria.

An appropriate stance toward the Assad regime should not be an offer of compensation for its

past aggressions against Israel, which led to Syria's loss of the Golan Heights in the first place. Instead, Syria should be required to remove its occupation troops from Lebanon. Israel could follow suit once Syria was no longer present to stir the anti-Israeli coals on Lebanon's southern border.

Once a peace treaty between Lebanon and Israel exists to Syria's west to complement the one with Jordan to Syria's south, Israel can offer Mr. Assad something more important than territory: protection against the Sunni dictatorship in Iraq in exchange for peace and useful diplomatic relations.

Such a redirected peace process would forestall any Israeli sellout of Lebanon to a brutal "Pax Syriaana" over the Levant. The West should not betray Lebanon for "peace."

The peacemakers of the 1990s have it backwards — Lebanon should be next and Syria should be last.

ART STONE,
Hemdon, Virginia

The stand taken by President Assad in not mourning the death of Yitzhak Rabin expresses the feelings of the great majority of Arab and Syrian people. We consider Mr. Rabin a war criminal who met his due fate.

I would also request that Thomas Friedman consult the world leaders, dignitaries and journalists who have had the privilege of meeting Mr. Assad and learn from them some of his qualities and merits: His heart is bolder than that of a lion and more passionate than that of a mother. He instinctively senses the feeling of the masses and always bases his stand on that. No wonder he is the personification of hope for the Arabs.

MALEK SOLEIMAN,
Damascus.

Clinton's Successes

The momentum building up for a more widespread peace in the Middle East, the peace treaty on Bosnia just brokered in Dayton and signed in Paris and the U.S. economy's continuing growth are all outstanding achievements for which President Bill Clinton and his administration deserve a lot more credit than current polls show.

With any luck, the current budget negotiations will result in a similar success.

An easy and significant way to help balance the U.S. budget, one surprisingly not mentioned by either of the parties, is an additional tax on gasoline, for which Americans pay about one-quarter of what consumers in Western Europe must spend.

ANTHONY J. YUJA,
Florence.

AT A GLANCE: GOOD TRAVEL DEALS

Carrier/Hotel	Location	Deal
ALL NIPPON AIRWAYS	London to Tokyo/Osaka	Full-fare first- and business-class passengers can claim limo transfer on departure and return to Heathrow; hotel for one night in Tokyo or Osaka, plus a free bus transfer between Narita and Haneda for connecting ANA flights. Until March 31.
ARABELLA GRAND HOTEL	Frankfurt	Single/double for 235/285 Deutsche marks (\$163/\$198) includes buffet breakfast and use of health club. Until Jan. 7.
BRITISH AIRWAYS/HILTON	United States	BA Executive Club members resident in Britain earn double miles at more than 210 U.S. Hilton and International Conrad hotels. (Hiltons members earn both airline miles and hotel points for each stay at business rates.) Until Dec. 31.
HOTEL FURAMA KEMPIN SKI	Hong Kong	"Winter Wonder" rates start at 1,550 Hong Kong dollars (\$200) for a "superior" peak view room with American breakfast, use of fitness club, free local calls and late check-out till 6 P.M. Until March 15.
HOTEL NEGARA	Singapore	Introductory discount of 50 percent on all rooms and suites. Until Dec. 31.
HOTEL NIKKO	Hong Kong	Single/double for 1,450 Hong Kong dollars (\$188) per night with use of health club and pool and late check-out till 3 P.M. Until March 31.
HOTEL ROYAL MONCEAU	Paris	Weekend rate of 1,650 francs single/1,950 double (\$330/\$390) includes Continental breakfast and use of Les Thermes health and beauty center. Until March 31.
IBERIA/INTER-CONTINENTAL	Worldwide	Iberia Plus members earn double points at 150 Intercontinental/Forum hotels in 80 countries and choice of an upgrade to a suite; a \$25 per day food and beverage credit; or a gift. Points can be redeemed for flights, hotel stays or car rental. Until March 31.
INTER-CONTINENTAL	Europe	"Heart of the City" weekend breaks offer savings of up to 40 percent at 48 hotels and resorts. Examples for double room with buffet breakfast, tax and service: Castellana Inter-Continental Madrid 15,900 pesetas (\$130); Forum Hotel Berlin 195 Deutsche marks (\$135). Until April 8.
KEMPINSKI HOTEL	Leipzig, Germany	Doubles for 250 Deutsche marks (\$173) per night plus 29 DM per person for buffet breakfast. March 1 to 28.
MALAYSIA AIRLINES	London to Kuala Lumpur	Two for one on round-trip flights in first or business class. You must travel together on outward journey, but you can return separately. Until March 31.
RAMADA CHINA HOTELS	Wuhan, China	Single/double for \$64.50/\$75 includes airport shuttle, American breakfast, 10 percent discount on food and beverages, 50 percent discount on laundry and dry cleaning, and late check-out till 6 P.M. Until Feb. 29.
SWISSOTEL ASCOT HOTEL	Amsterdam	"Amsterdam Escapade" package for 230 guilders (\$143) for two nights per person and 291 guilders for three nights per person (double occupancy) includes buffet breakfast, free entry to Rijksmuseum or Van Gogh Museum and up to 25 percent discount on excursions, restaurants and shops. Until March 31.
SWISSOTEL THE BOSPHORUS	Istanbul	"Easter Package" for \$190 per night single/double includes "superior" room, buffet breakfast and use of health club. April 4 to 8.

Although the IHT carefully checks these offers, please be forewarned that some travel agents may be unaware of them, or unable to book them.

THE CAR COLUMN



Honda Civic 1.5i LS:

About \$20,000. Four-cylinder 1493 cc engine, 15 BHP at 6300 RPM. Five-speed manual gearbox. Top speed 187 KM/H (116 MPH). 0-100 KM/H (62 MPH) in 10.4 seconds. Average fuel economy 6.2 liters/100 km.

Honda Turns to Middle of the Road

By Gavin Green

JAPANESE carmakers got rich by building the most reliable, best-value, four-wheeled appliances in the world. Japanese carmakers apart from Honda, that is. Honda got rich, first by dominating world motorcycling — strangling the once dominant British motorcycle industry in the process — and, more recently, through clever car engineering. Like Oscar Wilde, Honda regularly declared its genius. Unlike Wilde, it got wealthy by doing it.

While the likes of Toyota and Nissan were faceless carmakers making mostly faceless cars — but what reliability and what value! — Honda matched their trustworthiness and their prices, but added some spice. The upshot has been a fine reputation among engineering aficionados, and among the young.

This "youth appeal" has paid off handsomely. In Japan, Honda has a big following from the Levi's and Coke set. It's the same in the States, where Hondas — despite the mass sales — are still regarded as not quite being in the mainstream. They're family cars with a twist.

Sad to say, then, that the new three-door Civic, just launched in Europe, moves nearer the middle of the road. Whereas past Civics have invariably unveiled some new technology that made customers/competitors act with awe/jealousy, the new Civic is a mild

remake of the old one. Being based closely on the outgoing model, it remains a fine car — one of the best in the class. But that old stand-alone Honda boldness is missing.

Not that the new car is free from novelty. Its new headlights are big and unusually shaped and illuminate the road well at night, and the taillights are distinctively styled too. The marvelous VTEC (variable valve technology) family of motors, introduced on the old model, proliferate. In plain English, they improve low-down lugging power and top-end raciness by altering the valve timing with the engine revs. There's a new 1.5i LS version, as tested, which promises not only strong performance but almost diesel-like economy too (it delivers on both fronts). The old sporty VTEC VTI engine continues, although the performance has been blunted by the new model's extra flab (up a hefty 150 kilograms).

On the road, the new Civic feels very much like the old model — no real surprise, given its provenance. The handling, long a Civic strong point, remains better than class average, despite soggy steering and that extra weight. Hondas tend to handle flat and sporty, and this one's no exception. They also tend to be jittery of ride; this one's no exception.

The front seats still aren't comfortable enough. They just don't offer enough back support for my 6-foot frame. The back seat is roomier, but still nothing special.

Nonetheless the new 1.5 engine has a

pleasing verve. Honda still builds better four-cylinder engines than anybody else. You can rev it like a racing car, if you're in the mood (there's no real point in such high revs, other than to have fun), or tread softly and revel in quite spectacular fuel economy. The gearshift is light and easy, as is the whole driving experience.

And the car is beautifully made. Try as they might, no European mass maker builds cars with the precise panel fit of a Honda. Look closely at the hidden components — ever seen the inside of a Honda engine? It's a technical work of art — and the manufacturing quality gap between Honda and its European rivals widens further.

IMPRESSIVE car though it is, the new Civic disappoints. It is too marginal an improvement over its predecessor — and in some ways (more weight, less fun to drive) no advance at all. Just as Europe starts seriously to up the stakes in the small hatchback sector, so the way was clear for Japan's most impressive carmaker to respond — and go further. Instead, the new Civic is largely a cop-out. Of course, it will do the job for most owners. The pity is that Honda didn't do its job with more fervor.

Next: the Peugeot 406.

Gavin Green is the editor of Car magazine.

North Pole: Still a Going Concern

By Roger Collis
International Herald Tribune

HO! HO! HO! Yes, I have to admit that my organization is outdated, especially for a worldwide delivery service. And we do have a problem in maintaining contact with our customers. But I think you'll agree we still have a great deal of customer appeal!

This is especially true among younger children coming into the market for the first time, although we are losing business "off the top," as it were, as children reach the age of 10 or thereabouts. It's the old 80-20 rule: You make 80 percent of sales among 20 percent of the population. But we have started a frequent-flier program to keep our more mature customers.

I don't want to appear cynical, but our old-fashioned image is something we actively cultivate. Heritage is all the rage. Management by Nostalgia (MBN) is what our consultants call it. Which is one good reason for keeping the Ho! Ho! Ho! (although we have updated the logo) along with my traditional dress and the reindeer. Mind you, I have had to give up the white ermine linings to satisfy the conservation folk. Nylon is so much more practical anyway. And we have had some flak from the animal rights lobby. No I don't think that reindeer pollute the upper atmosphere, do you?

You're right, of course, that sleighs are not the most efficient means of transportation in the 1990s. But the new 20-reindeer extended-range sleigh that we brought into the fleet in time for this Christmas, enables us to fly nonstop to Australia, traveling above the weather and commercial traffic. The trouble is we don't show up on radar screens, which makes it hazardous at low altitude with a full load. Nothing like as dangerous as dodging chimney pots in the old days mind you. I must say it's worth

seeing the looks on airline passengers' faces as they flash past you on the way down.

Distribution is still a problem. We're trying to improve it by bringing in toys by air freight from China to the regions. I'd say less than a third of toys are now made at our North Pole workshops. And we've extended distribution points by appointing local Santas on a franchise basis. This has not only improved our cash flow but broadened our equity base and enables us to improve service in the underprivileged

The Frequent Traveler

parts of the world. All part of the social audit as you can see from our annual report.

I get sick and tired of critics who say that because we only work one day a year we aren't cost-efficient. Well, for one thing, we're kept pretty busy all year round. I mean talk about shopping early for Christmas: We already have orders for next year. Then you have purchasing, manufacturing and management training. You won't believe we send a dozen senior elves to Harvard Business School this year. (Harvard had trouble believing it as well.) We lost half of them to headhunters. So if you come across any little men with pointed heads in your business you've got Santa to thank.

Of course, we have been affected by the recession like everybody else. This has meant cost-cutting right across the board — except for the board — on items like gift-wrapping, travel expenses and company sleighs. We've also introduced a pay freeze, which can be painful if you work at the North Pole.

I'm expecting a vast improvement in customer relations when we finally come on stream with our computerized present system. At the moment, about half of all letters we receive go unanswered (much to parents' relief, I should say), and presents occasionally get mixed up.

I remember a little girl in Scotch Plains, New Jersey, got a "Star Wars" outfit while the little boy next door had to cope with a giant doll dressed in Tirolcan dirndl. It took one of our reps ages to sort out.

Boys will be boys. One of our worst problems came when a 6-year-old hacked his way into our previous system and helped himself — and his pals — to hundreds of presents. He was only found out when he started running a cash-and-carry toy business from the garage. I thought, "Ho! Ho! Ho! We can use talent like this." So we got him to design our inventory-control software.

Having an offshore headquarters has fiscal advantages as you'll appreciate. Ho! Ho! Ho! Holdings is incorporated in Lapland as a charity and pays no tax on repatriated earnings. The Santa Claus Foundation is domiciled under Swiss law.

A secret of our success has been an ability to constantly redefine our core business in contemporary terms. Should we continue in the business of distributing presents on a seasonal basis, start a package tour operation or get into executive sleigh charter? These are some of our current concerns.

WHETHER I exist or not is the great ongoing challenge. I can live with the credibility gap between my prime target children and their parents. The problem is I'm finding it harder these days to believe in myself. But this is something all managers have to face sooner or later.

Still I'm confident I shall be around for quite a while yet. You may find my management style more durable than people think. Happy Christmas, everyone. Ho! Ho! Ho!

HOLIDAYS & TRAVEL

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HEAR THIS

A new French-Asian *cassus belli*: Jean-Pierre Baluc, a French associate professor at Miyazaki University in Japan, says he's offended by the Japanese giving "love hotels" names like Le Petit Hotel. France "has been reduced to being thought of in Japan as being a country that is not serious, uncaring, frivolous, lightweight, sentimental and romantic." What nuclear tests?

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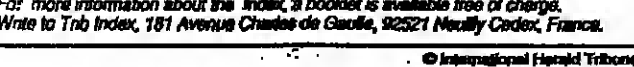


automobiles that can fully qualify as "world cars." The fun-to-drive Corsa, for example, is now on the highways of over 60 countries. The combination of distinctive design, a class-leading safety package and outstanding value for money, evidently knows no frontiers. Of course, this global presence includes quite a few countries where Christmas is not a holiday at all, or even a season to be jolly. Still, as a company that takes its world-

wide commitments to heart, we feel that this would be an excellent time to wish all people of good will, wherever in the world they may be, a Happy, Prosperous and Peaceful New Year.

OPEL 

[illegible]



So when market leader Toyota — worried that sticker prices had grown too steep — stripped features this spring from the Corollas it sells in Japan, consumers rebelled. Toyota responded by restoring some of the appointments in a midyear replacement model.



Japanese Automakers Find Visibility Breeds Contempt

But the tale of the new Corolla raised a warning flag for the rest of Japan's automobile industry as well. Faced with a prolonged economic slump at home and a strong yen making it more expensive to export, car manufacturers are racing to cut costs and prices to make their products

counterpart and is not due for a remodeling until 1997, and Nissan's American division left the equipment on the cars it sells as Seotras virtually intact.

See Toyota, Page 17

holdings between groups as European media moguls have sought the safety of joint ventures with partners in other major countries as a means of re-

only cosmetic if they do not lead to bigger things. The officials who run the economy are hoping the changes will increase the market's liquidity, reduce secrecy and

The most politically significant compromise — and the most unexpected — is a deal that appears to resolve the most in-

[illegible]

"We aim to bring together two existing libraries," said Stuart Subotnick, Metromedia vice chairman, adding there would about 2,000 titles.

Admiral's Cup



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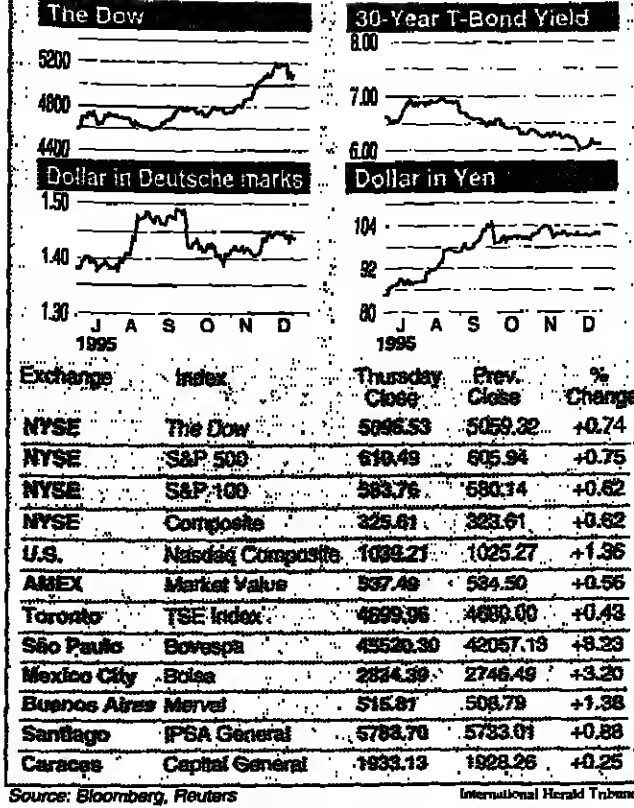
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Investor's America



Very briefly:

U.S. Decries Tokyo Trade 'Barriers'

WASHINGTON (Reuters) — A top U.S. trade official said Thursday that Eastman Kodak Co. and other foreign film companies have been violating U.S. trade laws by erecting barriers to U.S. film imports. The official said the barriers are in the form of government-backed subsidies and other measures that give Japanese film companies an unfair advantage in the U.S. market. The U.S. Trade Representative's office is considering a public share offer, said Chairman Jon S. Corzine, in Goldman's first public acknowledgment of the debate within the 127-year old partnership over whether to go public.

California Power to Go Competitive

By Agis Salpukas
New York Times Service

California consumers would be the first in the United States to be able to choose which electric utility to patronize as a result of a decision by the California Public Utilities Commission.

But the decision, in a 3-to-2 vote on Wednesday, calls for setting up an elaborate system to give the state's own utilities time to adjust to competition and to recover huge costs they would incur in the process.

Under the decision, the state would set up an independent power pool by 1998 that would buy power from the lowest-cost producers and then resell it to the state's utilities. The goal is to bring down the cost of power in the state.

California has some of the highest rates in the country, averaging 10.28 cents a kilowatt-hour — about 50 percent higher than the national average.

Out-of-state, low-cost utilities and independent power producers could compete with the California utilities to sell power to the pool, run by an independent operator.

The in-state utilities would buy the power and pass it on to their customers at no added cost. They would also turn over the control of their transmission systems to the independent operator.

The radical revamping of the industry may not lead to lower rates for many customers in the short term, but the hope is that rates will fall as the system evolves.

One reason that major rate reductions are not expected in the early phases is that customers will have to offset some of the huge costs that will be incurred by the utilities as they become competitive.

Daniel Fessler, the commission's president, said in San Francisco that the state's utilities would have to phase out plants that would no longer be cost-efficient.

Another major cost to be recovered involves the long-term contracts under which utilities must buy power from independent producers at prices much higher than those on the wholesale market.

Profit Expectations Give the Dow a Lift

Bloomberg Business News

NEW YORK — U.S. stocks rallied on Thursday, led by United Technologies, amid renewed confidence that most companies' quarterly profits would meet expectations.

Positive earnings reports from Broderbund Software and 3Com Corp. suggested to investors that fourth-quarter earnings would come in on target, analysts said.

The underlying trends that have been driving this year's rally are still in place: declining interest rates with an economy that's not falling off the edge, said Scott Swanson, an equities analyst at Roger Engemann & Associates.

The Dow Jones industrial average gained 37.21 points, to close at 5,098.53. The 30-stock average is down 1.65 percent this week. Advancing stocks led declines on the New York Stock Exchange by nearly a 3-to-2 ratio.

The benchmark 30-year Treasury bond gained 15/32, to 110 25/32, nudging the yield down to 6.10 percent from 6.12 percent on Wednesday.

Rising stocks were led by United Technologies, which added almost 10 points to the Dow, climbing 3 1/4 to 95 7/8.

The Standard & Poor's 500 index climbed 4.55 to 610.49, recapturing most of its 5.99-point drop on Wednesday.

Drug, shoe, retail, communications equipment and construction companies posted the biggest gains.

Computer equipment and software shares rose after the encouraging earnings reports from Broderbund and 3Com were released.

The Nasdaq, filled with software and semiconductor companies such as Intel and Microsoft, leaped 15.37, or 1.5 percent, to 1,040.64.

Broderbund, a maker of educational software, said after the close on Wednesday that its first-quarter earnings rose to 73 cents a share from 57 cents a year ago, 2 cents higher than estimates. Broderbund's shares rose 5 5/8 to 60 1/2.

Their sales are still pretty good in a difficult environment, said David Farina, an analyst at William Blair & Co.

3Com, a maker of computer networking products, said profit from operations rose to 37 cents a share in its second quarter, up from net income of 27 cents a year ago. 3Com's stock rose 2 1/2 to 44 1/8.

Investors read more into 3Com's earnings, and what they might mean for other computer equipment makers, because of remarks company officials made after analysts said, "3Com made a positive comments about the industry" in a conference call with analysts, said Randall Yuen, an analyst at Oppenheimer & Co.

United Technologies rose after an Oppenheimer & Co. analyst, Michael Bunyan, raised his rating on the maker of Otis elevators and Pratt & Whitney aircraft engines to "outperform" from "market perform." The company's shares rose 3 1/4 to 95 7/8.

Among other computer stocks, IBM rose 1 1/2 to 90 7/8, Hewlett-Packard gained 3/4 to 83 7/8, Sun Microsystems gained 7/8 to 47 and Informix climbed 4 to 29 3/4.

Shares of UAL Corp. plunged 7 7/8 to 180 1/8 on concern the company's earnings would not meet expectations, after CS First Boston Corp. lowered its recommendation to "hold" from "buy."

UAL's slump sent the Dow Jones transportation average tumbling 47.71 points, to 1960.67.

Other big losers among airline stocks were AMR Corp., the parent of American Airlines, which fell 2 3/8 to 73 3/4 the day after an American flight to Cali, Colombia, crashed.

Boeing stock fell 1 1/4 to 76 3/4; Delta Air Lines fell 2 3/8 to 74 5/8; and Southwest Airlines Co. weakened 7/8 to 23 7/8.

Coke Shares Fizzle Despite Stock Split

Bloomberg Business News

ATLANTA — Coca-Cola Co. said Thursday it expected international shipments of its drinks to rise by 5 percent in the fourth quarter, below most analysts' expectations.

The news overshadowed the board's approval of a two-for-one stock split, its first in three years, and of a \$1.5 billion capital spending plan for 1996, the largest investment program ever for the world's largest maker of soft drinks.

Analysts had been expecting a 7 percent gain in international volume, compared with a gain last year of 13 percent. That means Coca-Cola, which gets about 80 percent of its profit from sales outside the United States, will probably report fourth-quarter earnings at the low end of forecasts, analysts said.

Shares of Coca-Cola fell \$1.375, to close at \$72.875, on Thursday in heavy volume. For the year, Coca-Cola said it expected per-share earnings to rise by the "upper teens-to-20 percent range."

The company said it still expected international shipments to rise by 8 to 9 percent this year, in line with its traditional target for gains of 8 to 10 percent.

Coca-Cola's capital spending figure is 36 percent higher than the \$1.1 billion budgeted for capital spending this year, the company's previous record high.

The funds will be used for a number of projects, none of which will exceed \$85 million, the company said. Those projects are scheduled to include a new production plant in Russia and a cold-drink equipment program in Brazil.

A Cautious Rate Cut Helps the Franc

Bank of Switzerland, said the central bank's decision not to cut its intervention rate, which sets the floor for borrowing costs, showed the central bank was "being cautious" and that it is "testing how far it can go in cutting rates" to help the economy.

Such caution reassured franc holders, and the dollar slipped to 4.9310 francs from 4.9405. In Paris, the mark fell to 3.4346 francs from 3.4405.

The dollar edged higher against other major currencies, meanwhile, as traders cautiously waited for signs of progress in budget negotiations in Washington.

The dollar rose to 1.4387 DM from 1.4368, and to 101.775 yen from 101.725. It rose to 1.1570 Swiss francs from 1.1549. The pound slipped to \$1.5416 from \$1.5418.

"The key at the moment is the focus on the budget talks," said Karl Halligan, vice president of strategic trading at CIBC Bank.

"Everyone is going to be eyeing the talks to see if they can come to an agreement," (AFX, Bloomberg)

WORLD STOCK MARKETS

High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.					High Low Close Prev.				
Johannesburg																													
South West	4.02	5.98	4.01	6.84	1.54	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54					
Cap Power	4.02	5.98	4.01	6.84	1.54	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54					
Secur	4.02	5.98	4.01	6.84	1.54	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54					
Sho Trest	8.53	8.42	8.52	8.44	1.54	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54					
Sho Trest	8.53	8.42	8.52	8.44	1.54	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54					
Sho Trest	8.53	8.42	8.52	8.44	1.54	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54	1.44	1.44	1.44	1.44	1.54					
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EUROPE

Fokker Reaches Wage-Cut Pact With Its Unions

Compiled by Our Staff From Dispatches

AMSTERDAM — Fokker NV said Thursday it had reached an agreement with trade unions that would help it save 10 percent of its annual wage costs.

The savings were expected to reach about 35 million guilders (\$21.7 million) next year, said Rombout Klinkert, a Fokker spokesman.

The agreement was part of the so-called Fokker 2000 cost-cutting plan, launched in February, which mandated the elim-

Allians Posts Rise In Income, Says Profit Improved

Compiled by Our Staff From Dispatches

FRANKFURT — Allianz AG Holding, Europe's largest insurer, said Thursday its premium income rose 5 percent in the first nine months of the year, while profit "improved" amid cost-cutting in the absence of major natural disasters.

Premium income rose to 52.2 billion Deutsche marks (\$36.2 billion), compared with 49.7 DM in the year-ago period.

Allians said its German business was hurt by weak demand, and its U.S. life-insurance business was hit by slow demand for pension funds, sending premiums at Allianz Life of North America down 41 percent, to 2.5 billion DM.

Income would have been higher, were it not for the surge of the mark against most major currencies, the company said. Allianz did not release specific numbers for its profit in the nine-month period.

The company's California-based unit, Fireman's Fund Insurance Co., will post a loss because of an \$800 million allocation to environmental damage reserves. Apart from that measure, Fireman's Fund would have shown an improved result for 1995, Allianz said. Allianz shares rose 1 DM, to 28.38 DM.

(Bloomberg, Reuters)

ination of 1,760 jobs, or almost 25 percent of the company's work force, by 2000. Two Dutch plants are also to be phased out.

Fokker, which has lost more than 1.56 billion guilders since 1992, said the agreement with the FNV, CNV, Unie and VHP trade unions would result in a "structural reduction" of wage costs until 1999.

Fokker has said the 2000 plan is aimed at reducing the price of its planes, making the company, which is 51 percent owned by Daimler-Benz Aerospace AG of Germany, competitive.

Fokker's huge losses over the past three years have depleted its cash reserves, rendering it incapable of paying its bills without help from Daimler. Last week, Fokker said the German company would continue to offer financial support after Jan. 1. Daimler had previously said it would guarantee Fokker's bills only through the end of this year.

Analysts said the extension would give Daimler and the Dutch government time to work out a rescue plan for the aircraft maker.

Fokker said the reduction in wage costs could be achieved without resulting in lower net salaries for its workers. It added, however, that wage increases agreed to in 1994 would not be implemented at the end of this year, and that workers would return to a 38-hour work week. Unions had previously negotiated shorter work weeks in order to save jobs.

Fokker is one of the world's largest manufacturers of medium-range aircraft. It makes two versions of turboprop planes, the F-50 and F-60, and two jetliners, the F-70 and the F-100.

Fokker shares closed Thursday at 8.8 guilders, unchanged.

Separately, Fokker said it had reached an agreement to sell 50 percent of its Fokker Space & Systems unit to the uranium-enrichment company, Ura-1 Centrifuge Nederland NV. Terms were not disclosed.

(Bloomberg, AP, Reuters)

London Entrepreneurs AIM High

New Exchange Is Launching Pad for Small Firms

By Fred Barbash
Washington Post Service

LONDON — If you're shopping for Eurobonds or derivatives, London's financial district, known as the City, is the place to look. If your game is the foreign exchange by the billions, the trading there is great.

But an investor looking for small, young companies with big ambitions traditionally has found relatively slim pickings in London.

To remedy that situation, meet the City's newest stock market: the Alternative Investment Market, or AIM.

Created in June specifically to list small companies — those that are too small and too new to qualify for the London Stock Exchange — AIM is Britain's belated answer to the National Association of Securities Dealers Automated Quotations system, the successful, 25-year-old shopping mall for investors looking for companies with room to grow.

Unlike Nasdaq — which competes with the New York and American stock exchanges and has overtaken all of the world's stock exchanges except the NYSE in dollar volume — AIM is owned and operated by the London Stock Exchange.

Like Nasdaq, however, AIM hopes to provide a respectable launching pad in London for the business world's young and restless.

While it is too soon to speculate about the success of AIM, it has attracted 116 companies since June, when it opened with 10. It now has its own proud, small-type newspaper listing.

The listed companies have little in common as businesses. They sell property, pet supplies, telecommunications services and equipment, insurance and

entertainment. They brew beer, produce children's films and mine gold. There is no dominant theme.

What they share is youth, small size, a need for capital and general ineligibility for listing on the London Stock Exchange, the so-called official list. The conditions for making the official list include being in business under the same management for three years.

AIM will take brand-new firms, as long as they pay the fee (about \$3,800 in the first year) and can retain an adviser, essentially a sponsor, chosen from a list of established financial-services firms certified by the London exchange. That requirement — along with conventional rules of disclosure for publicly traded companies — is designed to reassure investors about the viability and integrity of AIM-listed firms. Scrutiny for compliance with securities regulations is provided by the staff at the London Stock Exchange.

So far, according to Theresa Wallis, chief operating officer of AIM, listed companies have raised a total of about \$115 million through flotation on AIM. While the amount may seem small, it is \$115 million that the companies did not have before. Moreover, many of the firms are using the money as so-called seed capital to raise even more from other sources.

Euro Sales Finance PLC, for example, was a brand-new company that needed about \$38 million to get started in factoring — providing commercial finance to other companies. Ian Fitz-Harris, chief executive of Euro Sales, said the company used AIM to raise about one-fifth of the total. That, in turn, enabled it to get the rest from a syndicate of banks.

Banks, he said, were receptive not only because of the seed money raised, but

because "we could get a quote" — a newspaper listing.

The chief alternative source of funds for such businesses are venture-capital firms. But venture capitalists, said Mr. Fitz-Harris and other executives with AIM-listed firms, often demand excessive involvement in the running of a business. Plus, he said, "venture capitalists seem to want a very large stake" — a particularly unappealing demand for entrepreneurial types.

For Winchester Multimedia PLC, a Birmingham-based producer of children's films, music and television programs, listing on AIM is only the beginning of an international money-raising campaign to finance international distribution of products.

"We went into AIM because we do not have a three-year record," said Gary Smith, Winchester's chief financial officer. "As soon as we do," he said, "we'll look at the full market."

Indeed, that desire to graduate to the so-called full market is one of the many differences between Nasdaq and AIM. Nasdaq firms mostly have stayed with Nasdaq, even as they, and it, have become giants — though there are prominent exceptions.

Mr. Wallis hopes the same will be true of AIM, but some analysts here believe that AIM, as an offshoot of the London Stock Exchange, may always be considered minor league, with those companies that prosper always seeking an upgrade.

What is more, AIM will soon be facing competition from a new, Brussels-based exchange for growth companies called EASDAQ, a pan-European version of Nasdaq, from which it draws its name and a formal partnership. That market is slated for launch in September 1996.

Philips to Sell Wireless Units to AT&T

Bloomberg Business News

MORRISTOWN, N.J. — AT&T Corp. said Thursday its AT&T Network Systems unit would buy Philips Electronics NV's wireless-phone equipment businesses based in France and Germany.

The companies said they expected to complete the deal in early 1996, but they refused to give financial details.

The purchase expands AT&T's presence in the European market, where it formed an alliance last year with Unisource, a venture of phone companies in the Netherlands, Spain, Sweden and Switzerland.

The deal will also strengthen the Network Systems unit as AT&T prepares to

sell it to the public under plans to split into three companies. Under the spinoff plan, announced in September, the company is to sell a 15 percent stake in Network Systems to the public in the first half of 1996.

"AT&T is trying to fill all of their product gaps. They want to own equipment from soup to nuts — everything from switches to handsets," said Albert Lin, an analyst at Cowen & Co.

The businesses include a global work force of about 3,500 and sales organizations in 25 countries.

Philips is selling the assets to concentrate on products for personal communications services, the next generation of

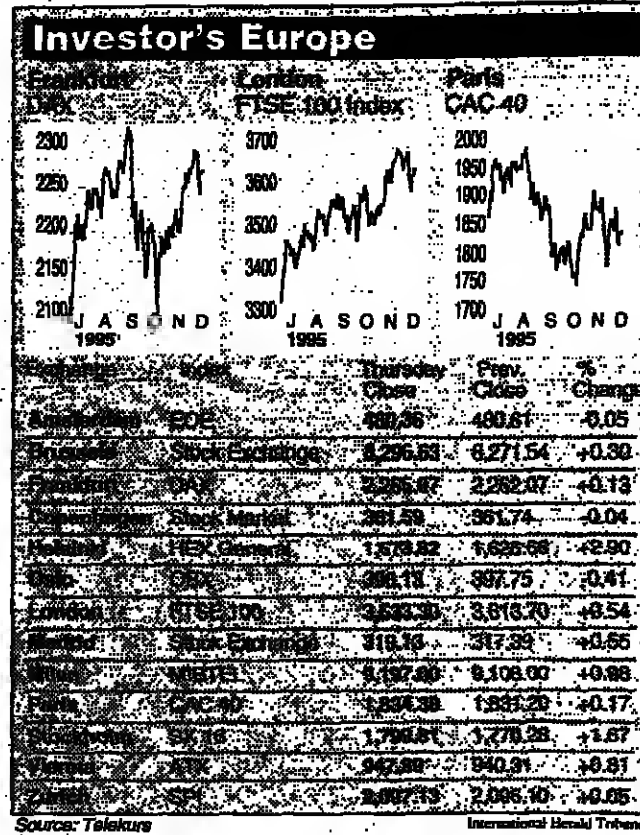
wireless communications.

Philips shares closed 20 cents higher, at 58.50 guilders (\$36.20) on the Amsterdam stock exchange, while in New York, AT&T closed unchanged, at \$65.125.

SAP Joins Forces With Telekom

SAP AG said Thursday it planned a joint venture with Deutsche Telekom AG to make software for telecommunications companies. Bloomberg reported from Walldorf, Germany.

The venture, subject to approval by competition authorities, will link the leading European software maker with Europe's largest telecom company.



Very briefly:

•Smithkline Beecham PLC said it had agreed to pay 203 million Deutsche marks (\$141.3 million) to buy Abtei Pharma-Vertriebs GmbH, Germany's leading mass marketer of grocery over-the-counter drugs. Smithkline said that the purchase would make it Germany's leading consumer healthcare company.

•The European Commission broadened its investigation into the £1.25 billion (\$1.93 billion) merger of the South African platinum units of Lonrho PLC and Gencor Ltd. due to fears that it would constrain competition. The commission, which launched an initial probe last month, opened a second-stage investigation that could last as long as four months.

•Britain's economy grew by 0.4 percent in the third quarter of the year for an annual rate of 2.1 percent, according to figures released by the Central Statistical Office. GDP had risen by 0.5 percent in the second quarter for an annual rate of 2.8 percent.

•Union Bank of Switzerland said it would pay 180 million Swiss francs (\$155.9 million) to buy Appenzell-Ausserrhodische Kantonalbank, a Swiss cantonal bank, joining Swiss Bank Corp. and Credit Suisse in absorbing small regional banks in order to boost its market share.

•Telefonica de España SA said it agreed to sell its 5.84 percent stake in the AT&T Corp. unit AT&T Network Systems International for 6.54 billion pesetas (\$53.7 million) to AT&T International. Telefonica said it expected to post capital gains of "over 3.6 billion pesetas."

•Mannesmann AG, the German engineering and telecommunications company, said that the U.S. Securities and Exchange Commission had approved conversion of the company's American depositary receipts to sponsored shares. The change, effective Dec. 20, means that buyers of Mannesmann ADRs will pay reduced commissions and automatically receive more information about the company.

•Rolls-Royce PLC said it appointed John Rose, managing director of its aerospace division, to the post of chief executive, beginning on April 30 when Sir Terence Harrison retires.

AFF, APX, Bloomberg, Reuters

AMEX

Thursday's 4 p.m. Close					Stock	Sales	High	Low	Latest	Close
The top 300 most active shares, up to this closing on Wall Street.					The Associated Press					
Stock	Sales	High	Low	Latest	Close					
AMC	20	22 1/2	22 1/2	22 1/2	22 1/2					
Amgen	31	11 1/2	11 1/2	11 1/2	11 1/2					
Ashfi	11	3 1/2	3 1/2	3 1/2	3 1/2					
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Continued on Page 18

ASIA/PACIFIC

Japan Bailout Plan Pressures Bonds And Finance Chief

Compiled by Our Staff From Dispatches

TOKYO — The government's plan to use public funds to bail out seven insolvent mortgage companies added to the pressures on the bond market Thursday as well as on Finance Minister Masayoshi Takemura, as opposition politicians called for his resignation.

Finance Minister Takemura at least should resign after the formation of the budget for the fiscal year starting next April, Takao Nishioaka, acting secretary-general of the New Frontier Party, told the financial daily Nihon Keizai Shimbun.

Japan approved a plan Tuesday to use about 68 billion yen (\$6.7 billion) of public money for an agency to take over problem loans at the companies.

The seven companies, known as *jusen*, have become a symbol of the deep problems of Japan's financial system, and solving those problems is considered vital to restoring international confidence in Japanese banks. Many analysts and financial specialists have said using public money was unavoidable.

In the financial markets, however, bond prices fell amid concern banks may sell securities to raise money to write off bad loans. That concern plus the government's plan to issue 21 trillion yen in bonds as part of an economic stimulus package amounted to grim news for a market already facing tough times, analysts said.

After three years of trying to spend itself into a recovery, the government has flooded the market with bonds. Meanwhile, signs that the economy may be starting to recover raise the prospect of inflation, the enemy of fixed-income instruments such as bonds.

The yield on the No. 174 benchmark 10-year bond rose six basis points, or hundredths of a percentage point, to 2.735 percent, its highest level in nearly a month. The cash bond's price fell 238 yen for each 50,000 yen in face value.

Investors were concerned not only over how banks may respond to the plan to clean up bad loans left by the *jusen* but also by 30 trillion yen in nonperforming loans yet to be dealt with.

Banks may dispose of most of this burden with write-offs, balanced partly by selling bonds to generate revenue, traders said. With bonds out far from record highs despite Thursday's decline, banks may decide to sell bonds to lock in profits, said Peter Morgan, portfolio manager at Banque Nationale de Paris.

The *jusen* plan also has come under attack in Japan for other reasons. Some of the critics merely call it hastily made and badly explained, but others charge that it represented a politically motivated rescue of the agricultural cooperatives that help to support the governing coalition. (Reuters, Bloomberg)

The Great Shanghai Shakedown: Growing Pains of a New Market

Bloomberg Business News

SHANGHAI — Five years into an ambitious experiment to create China's first post-revolution stock market, the Shanghai Stock Exchange is faltering.

Foreign investors had originally hoped that the exchange would provide a way to profit from China's explosive growth. Instead, they've watched the benchmark index for Shanghai B shares, or those that can be owned by foreigners, fall 65 percent from a high of 140.85 in May 1992 to 48.97 on Thursday.

"These companies are not designed to maximize shareholder wealth," said William Kaye, managing director of the Asia Hedge fund in Hong Kong. "They're designed to suck up investment capital from foreigners."

At a five-year anniversary ceremony on Tuesday, Beijing underscored the importance of the Shanghai exchange to China's development by sending Zhu Rongji, the country's top economic planner, to bang a gong to start trading.

Abolished by the Communists after their 1949 victory, the Shanghai Stock Exchange was revived in 1990 as part of Deng Xiaoping's market reforms, which were designed to remold the country's economy in the image of "capitalism with Chinese characteristics."

Shanghai was an obvious starting point. China's biggest city, it was also the nation's financial capital. Its European-style boulevard, the Bund, was known as the "Wall Street of China" before the 1949 revolution. In 1939, before the outbreak of World War II, 50 brokerage firms were listed as members of the Shanghai Stock Exchange.

Starting over in 1990 with only eight members, the membership list in five years has grown to 188, including giant state corporations such as Shanghai Petrochemical Co., Maanshan Iron &

Steel Co., and Guangzhou Shipyard International Co.

Of its total membership, only 36 companies sell B shares, which started trading in February 1992. Four companies sell only B shares, while the rest sell both B shares and A shares, which can only be owned by Chinese investors.

Since it was founded, the Shanghai Stock Exchange has amassed a market capitalization of more than 300 billion yuan (\$36.08 billion), amounting to 7 percent of China's gross national product of 4.1 trillion yuan, according to exchange officials. That makes it one of Asia's smallest stock markets, trailing the exchanges of Jakarta with capitalization of \$66 billion and Manila with \$56 billion.

To a large degree, the fortunes of the Shanghai Stock Exchange have been plagued by bad timing.

Concerned about annual inflation of more than 20 percent and annual economic growth of more than 10 percent in the early 1990s, the Chinese government slammed on the brakes in July, 1993 with austerity measures designed to slow the economy.

Almost overnight, bank loans to companies dried up, and with them the prospects for good earnings. The precipitous declines of both the A shares and the B shares began at that time.

The Shanghai Composite Index, which tracks mostly A shares, reached a high of 1,558.95 in February 1993 and has since collapsed to 623.85.

Many Shanghai-listed companies still follow Chinese rather than Western accounting practices, another fact that makes foreign investors leery.

Last year, for example, Shanghai Goods & Materials Trading Centre Co., a services company, used Chinese accounting standards to report a 32 million yuan

after-tax profit. Actually, the company probably lost money last year, said Edmund Huang, an analyst at Baring Securities in Shanghai.

Trading in commodities futures has been a major profit source for the company, Mr. Huang said, accounting about 60 percent of its 1993 profits. Last year, Chinese regulators moved to dampen activity in the commodity futures market.

"Most foreign brokerages assume that if Shanghai Goods & Materials Trading, was ever to issue an International Accounting Standards report, they would book a loss for 1994," Mr. Huang said.

Shares of the company, which has not opened its books to foreign investors, have fallen 44 percent in the past year, from a high of 15.27 yuan to 8.50 yuan on Thursday.

Compounding the difficulty for foreign investors, most companies listed on the Shanghai Exchange still conduct at least part of their business as if they were still part of China's old command economy rather than to make profit.

Shaking their heads in frustration, foreign investors and analysts often refer to China B share companies as "black boxes" where decisions are often made for political instead of business reasons.

Among the B shares are a handful of companies that some foreign analysts favor. They include Shanghai Pifengting Glass Co., which has the market's largest capitalization at \$90 million. It has a new production line that analysts say could boost profits by 20 percent in 1996.

Shanghai New Asia (Group) Co. is another company favored by analysts, who point to swift growth in the company's 49 percent-owned local Kentucky Fried Chicken franchise. Credit Lyonnais estimated New Asia's profits would rise to 126 million yuan next year from 110 million yuan.

Tokyo Posts First Increase In Store Sales Since 1992

Bloomberg Business News

TOKYO — Department-store sales rose in November for the first time in almost four years, an industry association said Thursday, a new sign that Japan's economy may be recovering from its long slump.

Stock prices rose after the report, with the Nikkei stock average rising 204.66 points, to close at 19,653.25, just short of its highest close this year.

The Japan Department Store Association said sales rose 0.3 percent in November from a year earlier, to 724.7 billion yen (\$7.1 billion), their first monthly increase since February 1992.

The news reflected a return to high-quality goods, analysts said. In other signs of economic health, housing construction, private consumption and capital investment also have shown increases in the past month.

Murdoch Sees Soft First Half

Reuters

SYDNEY — Rupert Murdoch said Thursday that weakness in major U.S. television markets would lead to a small drop in News Corp.'s six-month profit, but he predicted a higher full-year result.

Mr. Murdoch, chairman of the global media and publishing concern, said the current quarter was proving a difficult one for U.S. media companies, particularly in television advertising.

The performance of the company's Fox's Television network in the United States is mixed, he said, with Southern California soft but smaller markets performing well. But he said News Corp. would show improved profit for the year ending June 30, 1996. A year earlier, it earned 1.36 billion Australian dollars (\$1.01 billion).

TOYOTA: Seeking Cost Cuts That Won't Be Noticed Men to Stay In Toyota's Driver Seat

Continued from Page 13

ing to do is take cost out where the customer doesn't see it," Henry D.G. Wallace, executive vice president of Mazda Motor Co., said of the efforts Mazda was making on its cars.

Analysts say the new Honda Civic, introduced in September, shows how costs can be cut without hurting customer perceptions of quality or luxury. In Japan, the new Civic costs about 5 percent less than the old one — although in the United States, because of the strong yen, the new Civic costs about 1.5 percent more than the old one.

Honda did eliminate some frills: It replaced the rear disc brakes with cheaper and less technically advanced drum brakes, and it used fewer threads in the fabric on the back seat.

But Honda got much of its savings by cutting development costs and increasing its use of American materials. It also designed the new Civic with an improved, quiet engine and expanded interior space, so critics said that overall, the new model was better than the old one.

Toyota is normally a master of this kind of hidden cost-cutting. In its 1994 annual report, it boasted how it had trimmed overall costs by \$1.5 billion in a single year. It used more common parts and fewer model variations and reduced complicated automation in its factories.

Japanese and American executives agree that Japanese cars have been built with excessive quality and luxury. The cars were painted in

places that no one could see, and some fabrics used even on economy cars "were so high-cost we would shake our heads," said one American auto executive who asked not to be identified.

But the changes on the Corolla were apparently too visible. Since the model change, sales of the Corolla sedan and coupe together have been averaging about 15,000 a month, below Toyota's target of 17,500, contributing to a decline in Toyota's market share in Japan this year to below 40 percent, from about 42 percent in the past couple of years.

This is the second slip-up for Toyota with what is supposed to be its "people's car." The previous Corolla, introduced in 1991, turned out to be too luxurious and expensive. It had been designed during the so-called bubble economy of the late 1980s, when soaring land and stock prices made people feel extravagant. But the bubble burst just as the new Corolla reached the market.

Toyota Studies U.S. Plant Site

Toyota is considering West Virginia as a possible site for an engine plant to serve its North American factories, Bloomberg Business News reported. "Nothing firm has been decided yet, but we are considering various locations," said Mie Aoyama, a Toyota spokeswoman.

Toyota said in June it might build a plant in North America to make four-cylinder engines for its Corolla cars, which are made in Fremont, California, and Cambridge, Ontario.

Men to Stay In Toyota's Driver Seat

Bloomberg Business News

TOYOTA CITY, Japan — While Toyota Motor Corp. must become "a truly global company," more than a decade would probably pass before a woman or a non-Japanese employee reached the senior executive ranks of Japan's largest automaker, said Hiroshi Okuda, a top company officer, on Thursday.

As part of the company's internationalization strategy, Mr. Okuda said he would like to see more diversity in Toyota's executive ranks.

But getting a non-Japanese, or a woman, on Toyota's board of directors was not a step foreseen for the near future, he said.

Toyota's board is dominated by Japanese men who have worked their way up through the company's ranks over several decades.

BANG: South African Bourse Prepares for New Era

Continued from Page 13

place when capital began fleeing South Africa after the Sharpeville Massacre in 1961 ushered in an era of increased social and political turbulence, foreign investors began to shy away. South African companies — already big because mining is capital-intensive — thus had few outlets for their profits except to buy other South African companies.

"The Big Bang is pretty marginal until you get other reforms like relaxing exchange control," Ms. Mandel said. "But it's unfair to call it the Little Whimper. It's one sign that the economy is aligning itself with international norms. Given their history, I think it's incredible how quickly things are changing."

There are several reasons for the exchange to seek major reforms now. Foreign investors, deciding that the nation is being held together by more than baling wire and Nelson Mandela's halo, are showing interest in South Africa. Emerging-market mutual funds, in particular, are buying its stocks. All of Africa accounts for only about 2 percent of the world's market

capitalization, but the Johannesburg exchange accounts for about 95 percent of Africa.

In addition, exchange controls are slowly loosening and were dropped entirely for foreigners in April. Roy Andersen, the exchange's president, says he wants a "formidable total package" of changes to be carefully managed. The advantage of being late, he said, is that "we're cherry-picking the best

out of various baskets."

He added: "We commissioned Ernst & Young to research 31 exchanges — not only the big, sexy ones, but more relevant ones like Malaysia. Our rules for disclosure are basically London's. Our capital requirements are the European Union's; and our automated system was created by the Chicago Stock Exchange and is used by Manila and Bangkok."



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The amount of costs related to this supply will be covered by COPEL's own resources.

The Bid Documents will be available to bidders from December 15th, 1995 till January 31st, 1996 against payment in Brazilian currency of R\$ 150.00 (one hundred and fifty Reals), at the following addresses:

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Fax (55-41) 331-4155

• Escritório COPEL São Paulo
Alameda Santos, 1900 14º andar - cor. 14B
01418-200 - São Paulo - SP, Brazil
Phone (55-11) 289-1431
Fax (55-11) 288-3929

At the time of Bid Documents purchase, all companies present a letter containing name department of the person for contact and complete mailing addresses.

The receipt of the Qualification and Bid Documents is scheduled for March 1st, 1996, at 3.00 PM, at COPEL's office meeting room, in Curitiba, Rua Voluntários da Pátria 233, ground floor.

The Bidding will be ruled by Law No 8666, dated June 21, 1993, and by other conditions stated herein and in the Bidding Documents.

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KCRC HONG KONG

Kowloon-Canton Railway Corporation

QUALIFICATION OF TENDERERS WESTERN CORRIDOR RAILWAY PROJECT

The Kowloon-Canton Railway Corporation ("KCRC") intends to commence preliminary engineering for the Western Corridor Railway Project ("WCR").

The WCR Project is a 52 km double-track electrified railway system for passenger and freight services, comprising 11 stations, a maintenance depot and container freight facilities.

KCRC proposes to appoint qualified consultants to perform preliminary engineering for the Project in the following areas:

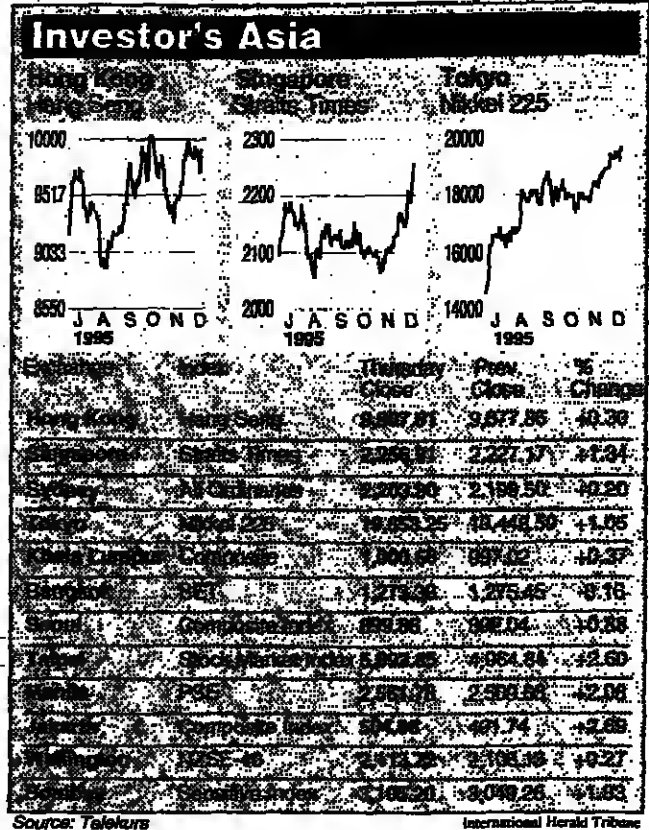
- Civil/Structural to include Architecture
- Town Planning and Traffic Impact Analysis for Property Development
- Tunnel Ventilation/Aerodynamics
- Safety/Reliability
- Light Rail Transit System Interfaces

A more detailed description of the preceding work activities will be included in Pre-qualification Questionnaire.

Requests for the Pre-qualification Questionnaire should be made on company letterhead by facsimile to the Kowloon-Canton Railway Corporation at (852) 2601-2671 no later than 6th January 1996. A Pre-qualification Questionnaire will be returned by courier.

KCRC will, at its sole discretion, evaluate responses to the Pre-qualification Questionnaire. Those organisations which KCRC determines to be suitably qualified will be invited to tender.

No communications in response to this advertisement will be accepted by KCRC except by facsimile at the above noted facsimile number.



Very briefly:

- Taiwan's cabinet scrapped restrictions on foreign investors' ability to take money out of the country, and Taiwan's main stock index jumped 2.6 percent in anticipation of fresh foreign funds.
- Acer Inc. forecast record 1996 profit of at least 35 percent more than the 5.8 billion Taiwan dollars (\$312.2 million) the computer maker expects to earn this year.
- BASF India Ltd.'s German parent company received government clearance to set up a wholly owned trading unit in India. It was denied permission to set up a factory because it already had three production facilities in the country.
- Coles Myer Ltd. said the managing director of its Myer Grace Bros. department-store business, Peter Wilkinson, had resigned, the second senior executive to leave the company in a month.
- South Korea sent a ship carrying 15 Kia Motors Co. vehicles to North Korea in the first direct export of the south's cars to the north.

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12 Month High Low Stock	Div	Yld	PE	High	Low	Latest	Chg
100	0.00	0.00	0.00	100.00	99.00	99.50	-0.50
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December 21, 1995

\$	6.37	Hertius CHF Bond Inc Acc	SP	1051.69	GLOBAL CURRENCY BOND SERIES	w	P.C.P. Neutral
		Hertius CHF Bond Inc Dis	SP	1084.45	AUSTRALIAN DOLLAR PORTFOLIO	w	P.C.P. Volatility
		Hertius US\$ Bond Inc Acc	\$	1036.12	A . COUNTRY A	w	P.C.P. Global Inc

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THE WORLD'S DAILY NEWS PAPER

هكذا من الفصل

SPORTS

Big Losses for Little Guys Are Almost Guaranteed

By Chris Dufresne
Los Angeles Times Service

DO NOT be fooled by the occasional romantic upset in college basketball. For every misty-eyed Mount St. Mary's victory over Georgia Tech, there are a hundred mismatches that go off without a hitch.

No one is particularly proud of these December hit jobs — Kentucky 96, Morehead State 32 — but it's all part of a sport's early-season dirty work.

Steve Hamilton, athletic director at tiny Morehead State University in Kentucky, calls them "prostitution games." His school president requires him to schedule at least two "guarantees" per season. The first \$50,000 earned goes into the general fund; anything extra the athletic department gets to pocket.

Morehead has played 17 guarantees since Dick Fick became basketball coach five years ago, netting the school more than \$250,000.

"No doubt, schools at this level, with gender equity, have to play these games," Fick said.

Here's how it works: For a \$25,000 fee, a school agrees to have its Morehead bashed by Kentucky at Rupp Arena. Often, the perpetrator will throw in perks such as travel expenses just to make sure you don't chick-out.

Kentucky gets what it wants — a good show to satisfy the local hoop lust — and Morehead gets what it came for (the check, please). This season, Morehead has cashed a \$17,000 check from Louisville for impersonating pylon in a 58-point loss and \$25,000 more for showing up against Kentucky. On Saturday, the pledge drive heads west as the Eagles travel to No. 10 Iowa.

"You're always going to lose those games," Hamilton said of the arrangement. "You're always at the other team's place. In not sure I can justify what we do. We do it for financial reasons. The UK and Louisville games were harmful, in my opinion."

The morning papers in December are filled with box scores born of financial considerations. Tuesday it was No. 1 Kansas 103, Pittsburg State 48; No. 6 Georgetown 88, St. Francis (Pennsylvania) 5; No. 15 Missouri 81, Austin Peay 58; No. 2 Wake Forest 91, Appalachian State 50. No school west (or east) of the Appalachians has scheduled more of a Mur-rer's Row than Appalachian State of the southern conference. The Mountaineers, of Boone, North Carolina, have been led blindfolded down a preference plank against Clemson, Georgia

Tech, North Carolina Charlotte, North Carolina Greensboro and Wake Forest. The average margin of defeat in the five games was 24.2 points, but all the checks cleared. Next week, Appalachian plays Indiana in the Hoosier Classic.

"It's a challenge," the Appalachian athletic director, Roschel Laney, said. "And so far, we haven't met the challenge."

Laney said the schedule was worked out, with his approval, by Coach Tom Apke.

Apke's theory is to put his team through boot camp early to have his squad battle-tested before the start of conference play. But no one can deny part of it is financial.

The take-home pay for a good Atlantic Coast Conference roasting is \$25,000.

"It's a good day's work," Laney said. And yes, there is always the off-chance of an upset. "You can always pull one out like St. Mary's did over Georgia Tech," Laney said of Monday's 71-69 upset at Atlanta.

Last year, Fick reminds, Morehead led Indiana at the half.

Yet, the strategy can backfire. One-sided losses can shake confidence and crush the psyches of 20-year-olds. In the Monday follow-up to Saturday's 64-point Kentucky loss, Morehead was extended to overtime before defeating Thomas More, an NAIA school.

"There was still a residual affect from the UK game," Hamilton said. "There was a lack of confidence. Now we go play Iowa, and I'll guarantee you they won't have the same mercy on us that UK and Louisville did."

Mercy? Kentucky led Morehead, 50-14, at the half, but Hamilton swears it could have been much worse had Coach Rick Pitino not called off the "Cats."

Fick acknowledges playing No. 1 Kentucky this year was a mistake.

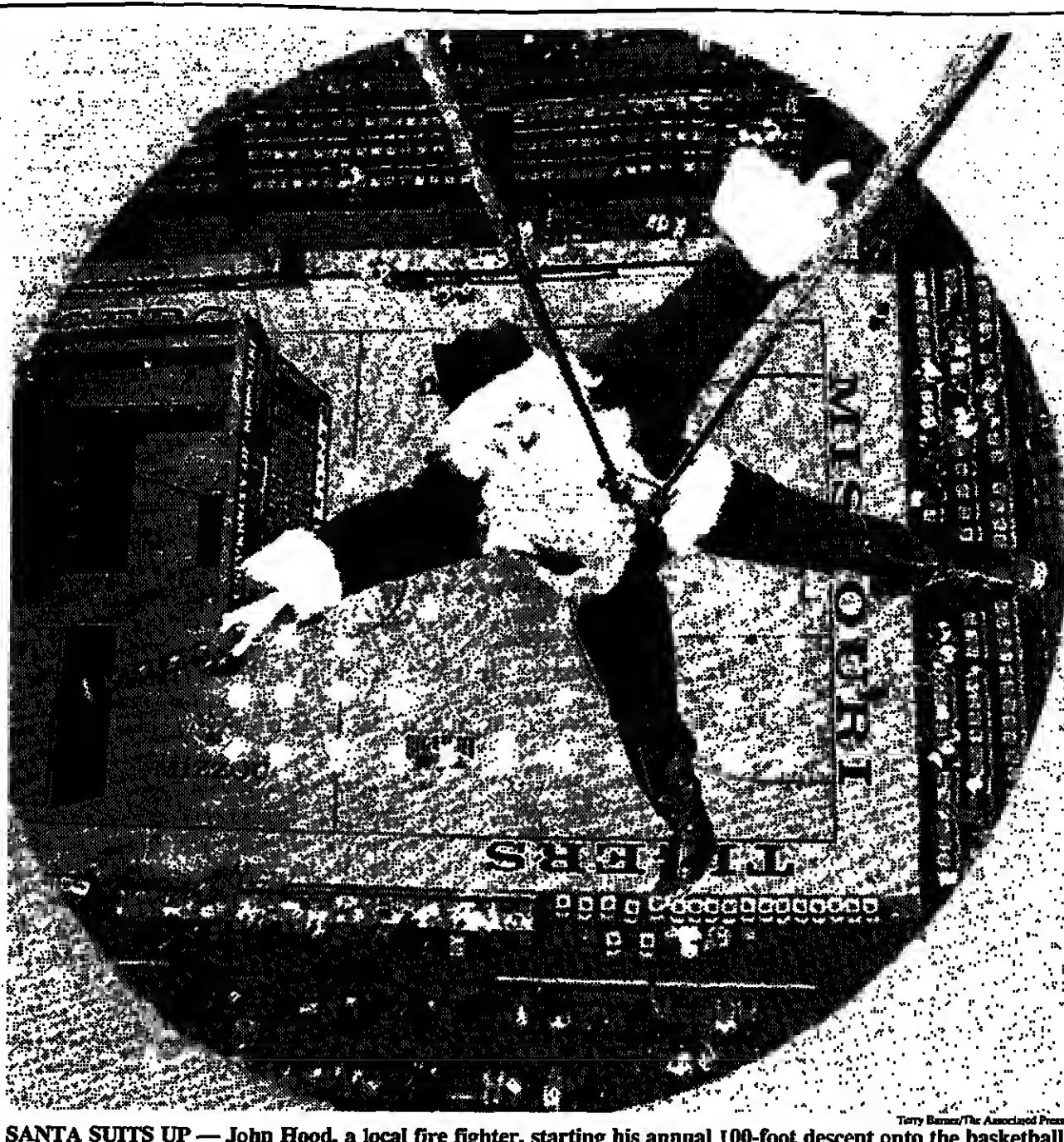
"I really feel the Clippers would give them a game for a half, then Kentucky would kill them," Fick said.

Morehead had hoped the media exposure leading into the Kentucky game would help the program, but the wipeout may have the opposite effect.

"I don't recommend people do this, play those schools for the sake of money, unless it's absolutely necessary," Hamilton said. Morehead has two more "guarantees" scheduled for next season, opponents to be determined.

Don't expect the school to do any more politicking in-state.

"We'd like to play somebody far away," Hamilton said.



SANTA SUITS UP — John Hood, a local fire fighter, starting his annual 100-foot descent onto the basketball court at the University of Missouri's Hearnes Center in Columbia before a women's college basketball game.

Two Surprising Standouts, and a Fight

The Associated Press
It was a night for unlikely heroes in the National Basketball Association.

Trevor Ruffin, who played in Greece before he signed with the Philadelphia 76ers as a free agent Dec. 3, scored a career-high 32 points Wednesday night to

NBA ROUNDUP

lead the 76ers to a 108-104 victory over the Utah Jazz.

Ruffin made 9 of 14 shots, including 7-of-10 from three-point range. "I just had the feeling tonight," said Ruffin, whose previous NBA high was 20 points with Phoenix last year. "I've taken a long road to get here and I'm just trying to relax and play my game."

Another unlikely hero came in the form of Kevin Gamble, forced into a starting role by injuries to his Miami teammates, who scored a career-high 37 points as the Heat snapped a five-game losing streak with a 112-104 victory over New Jersey.

Gamble, who had been averaging only eight points, said of his injured teammates, "Those guys can't help us right now, so we have to step up and carry the load until they get healthy."

In the less-heroinic side of the NBA, Don MacLean matched his career high with 38 points, helping Denver defeat Golden State, 109-104. But MacLean also lost part of a tooth when he got involved in a fracas

with Chris Gatling. MacLean was furious, and remained so after the game — refusing to speak with reporters out of fear he would say something about the officials that would cost him a fine.

But Gatling wasn't nearly so reticent. "I got him," he said. "It started early. There was pushing and shoving. I took it another step, and I guess he took it another step. He got a good first shot, and I hit him with a forearm and then with an open palm. Later on, he hit me, but no one saw it."

76ers 108, Jazz 104 In Philadelphia, Jerry Stackhouse had 18 points and 15 rebounds as the 76ers won their second straight. Vernon Maxwell scored all 15 of his points in the second half for the 76ers. Karl Malone had 31 points and eight assists for the Jazz, while Jeff Hornacek added 22 points.

Magic 107, Timberwolves 100 Anfernee Hardaway scored 32 points and Shaquille O'Neal had 30 as Orlando remained unbeaten at home. Nick Anderson had 21 points, 10 rebounds and nine assists as the Magic improved to 13-0 at Orlando Arena. Christian Laettner led Minnesota with 27 points and 10 rebounds.

Pacers 108, Lakers 98 In Indianapolis, Rik Smits scored 27 points and Derrick McKey had the first triple-double of his eight-year career for the Pacers. McKey had 17 points, 13 rebounds and 11 assists, while Reggie Miller added 21 points for

Indiana. Nick Van Exel led Los Angeles with 20 points.

Pistons 102, Bucks 77 In Auburn Hills, Michigan, Allan Houston scored 29 points, including consecutive three-pointers during a 10-0 run that put Detroit in control. Onis Thorpe scored 19 points and Grant Hill 17 for the Pistons.

Heat 112, Nets 104 In East Rutherford, New Jersey, Bimbo Coles scored six of his 14 points in overtime as Miami handed the Nets their fourth straight loss. Danny Schayes had 17 points and 16 rebounds, both season highs, for the Heat. The Nets got 26 points from Kenny Anderson, 25 from Armon Gilliam and a career-high 20 rebounds from Jayson Williams.

Nuggets 109, Warriors 104 In Denver, Dikembe Mutombo hit a hook shot with 13.5 seconds left as the Nuggets held off Golden State. The Nuggets, who suited up only nine players and used just seven, squandered a 22-point third-quarter lead and led by only three before Mutombo glided across the lane and made the key hook.

Suns 106, Bulls 104 In Phoenix, cold-shooting Charles Barkley made two free throws with 1.8 seconds left in overtime to lift the Suns over Washington. Elliot Perry had 20 points and 12 assists for Phoenix, while Barkley had 26 points and 14 rebounds, although he shot only 2-of-16 from the field.

Bearcats Outlast Golden Bears

The Associated Press
Shareef Abdur-Rahim created plenty of explosive problems for Cincinnati, and in second half the Bearcats solved them. "We put some bodies on him and I think we frustrated," Cincinnati's coach, Bob

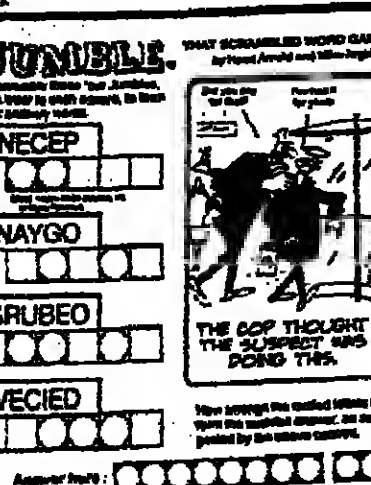
COLLEGE BASKETBALL

iggins, said after the ninth-ranked Bearcats won down No. 24 Cal for a 77-70 victory in overtime. Abdur-Rahim had a game-high 25 points, but only seven in the second half, as Cincinnati (7-0) tightened its defense. Cal (4-1) shot just 33 percent from the floor in the second half after taking a 43-35 halftime lead. "It wasn't what they did. It was more what we did," said Abdur-Rahim, who picked up his fourth foul with 8½ minutes left and was on the bench when Cincinnati tied the game. "We made too many mistakes. You can't do that against a team like that."

Still, it was a struggle for Cincinnati, which blew out its six previous opponents. Huggins came away impressed by Abdur-Rahim, who entered as the nation's third-ranked scorer, averaging 27.8 points. "They're very talented," he said. "Shareef is the best player we've played against. He's so versatile, he creates problems. He's better than I thought he was."

No. 14 Illinois 98, No. 15 Missouri 85 Jerry Hester hit two three-pointers in overtime and Kwame Garris scored 23 points as the Fighting Illini (8-0) outlasted the Tigers (7-2). Kelly Thaines scored a career-high 25 points for Missouri, which stumbled against its first ranked opponent. The neutral site game drew a crowd of 21,901, the largest for basketball in Missouri.

DENNIS THE MENACE



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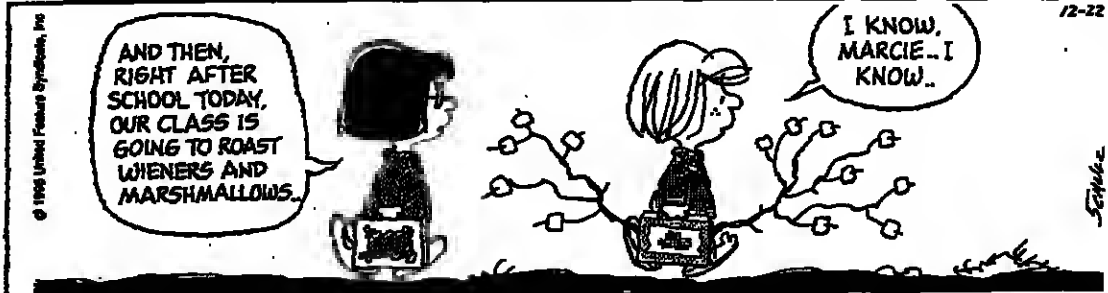
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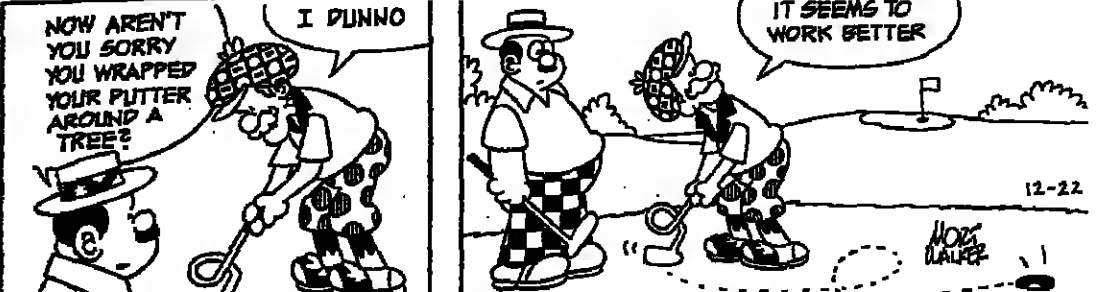
PEANUTS



GARFIELD



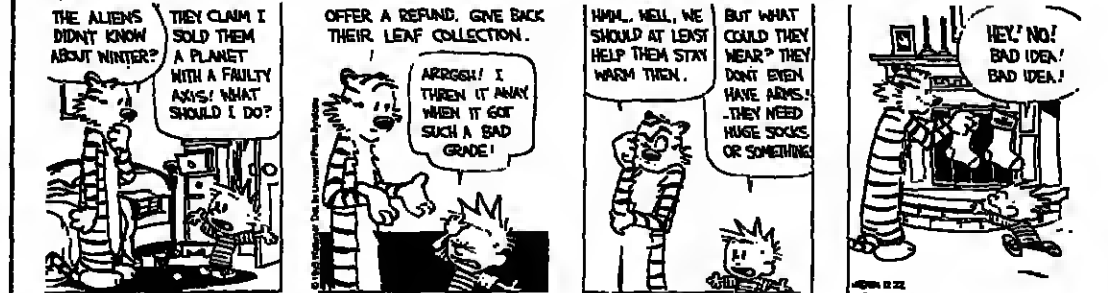
BEETLE BAILEY



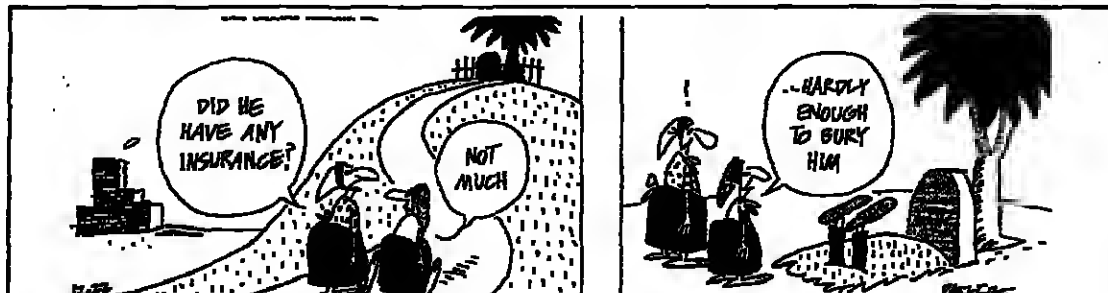
DOONESBURY



CALVIN AND HOBBES



WIZARD OF ID



THE FAR SIDE



No. 2 Goalies Spark Buffalo And Chicago

The Associated Press

So what if Dominik Hasek couldn't play? Or that Ed Belfour needed a rest? Both No. 1 goaltenders had great back-up help as Buffalo beat Montreal, 2-1,

NHL ROUNDUP

and Chicago stopped Toronto, 4-2. Andrei Treflov, subbing for the injured Hasek, made 37 saves to lead the Sabres' victory. Jeff Hackett, giving Belfour a night off, had 25 saves in Chicago's victory Wednesday.

Treflov is "a great kid," said the Sabres forward Matthew Barnaby. "He came in over the summer and he's proving he can be a great goalie in this league. To back up Dominik Hasek is a tough thing, but he's doing a great job when we need him."

Pat LaFontaine scored two goals to lead the Sabres, who won their fourth straight and moved one point behind second-place Montreal in the Northeast Division.

Hasek is expected back in the lineup Friday night against the Boston Bruins.

Blackhawks 4, Maple Leafs 2 In Toronto, Hackett was a big factor for Chicago as the Blackhawks were outshot, 27-23. The Maple Leafs also used a backup in the game, Damian Rhodes, who was subbing for Felix Potvin.

Jeff gave us a chance to get going and get some momentum," Chicago's coach, Craig Hartsburg, said. "He played great."

Tony Amonte, who scored only four goals on 75 shots in his first 31 games, scored two goals on two shots for Chicago Wednesday night. Joe Murphy and Brent Sutter also scored for Chicago.

Doug Gilmour and Kenny Jonsson scored for Toronto, which had won three straight and six of seven games.

Flames 3, Whalers 2 Zarek Zalapski had a goal and an assist to lead Calgary over Hartford in front of the smallest crowd in the Whalers' franchise history.

Just 6,563 attended the game at the Hartford Civic Center after more than a foot of snow that fell in the past two days. The previous low was 7,232 on Nov. 10, 1993 against Ottawa.

Avalanche 4, Oilers 1 Joe Sakic scored twice on power plays and Peter Forsberg had three assists as Colorado won at Edmonton.

Sakic sparked the potent power play for the Avalanche — which entered the game ranked second in the league — when he scored his first of two goals at 7:36 of the second period to break a 1-1 tie.

Red Wings 6, Mighty Ducks 1 Steve Yzerman and Vyacheslav Kozlov each scored twice as Detroit beat Anaheim for its 17th victory in 19 games.

Keith Primeau and Martin Lapointe added power-play goals, helping the Western Conference leaders hand the Ducks their third straight loss.

Canucks 2, Kings 2 Wayne Gretzky's shot from behind the net deflected into the goal of Vancouver defenseman Bret Hedican with 1:51 left in the third period, giving Los Angeles a tie with visiting Vancouver.

The third straight tie between the teams allowed the second-place Kings to remain two points ahead of Vancouver in the Pacific Division race.

The Canucks used Scott Walker's 10-foot rebound goal to take a 2-1 advantage with 6:31 to go in the third period. But Gretzky, who earlier had a goal called back, got a chance to square things when he let go of a centering pass from a severe angle to the left of the net. It bounced in off the back of Hedican's left skate for his ninth goal of the season.

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